Austria Sch.22	Indonesia ... Rp 3100	Portugal ..... Esc 100
Bahrain Din.0.650	Israel .... NS 3.50	S.Arabia ..... Rls 6.00
Belgium BFr.48	Italy .... L 1600	Singapore .... S$4.10
Canada .... C$1.00	Japan Y600	Spain .... Pta 125
Cyprus .... C£0.75	Jordan Fils.500	Sri Lanka ..... Rup 30
Denmark ... DKr.9.00	Kuwait Fils.500	Sweden ...... SKr 8.00
Egypt .... E£2.25	Lebanon .... $L 90.00	Switzerland, SFr2.20
Finland Fmk.7.00	Luxembourg . LFr.48	Taiwan .... NT $65
France FFr.6.50	Malaysia ..... Rgt 4.25	Thailand ...... Bht 50
Germany DM2.20	Mexico Pes.300	Tunisia ..... Din 0.800
Greece .... Dr 100	Morocco ...... Dh 6.00	Turkey 1,500
Hong Kong... HK$12	Netherlands.. Fl 3.00	U.A.E. .... Dh 6.50
India .... Rup 15	Norway Nkr.7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,281 — Friday July 10 1987 — D 8523 A

Australian poll: sales pitch moves to the right, Page 14

World News

Marcos 'planned to seize Aquino'

The Philippine Government produced tape recordings indicating that former President Ferdinand Marcos planned to buy about $20m of weapons to stage a coup and kidnap Mrs Corazon Aquino, his successor.

Mrs Aquino thanked the US Government for barring Mr Marcos from leaving Hawaii. Page 16

Fanfani steps down

Italian caretaker Premier Amintore Fanfani handed in his resignation, clearing the way for President Francesco Cossiga to begin talks on forming a government. Page 2

Amnesty for Kim

South Korea's Government announced an amnesty for 2,335 people, including opposition leader Kim Dae Jung who has been banned from politics. Peaceful funeral, Page 4

Australian poll

Australian Prime Minister Bob Hawke goes into tomorrow's federal election with opinion polls predicting a third term for his Labor Party. Page 3

Delhi protest

Police fired tear gas and arrested more than 200 people in New Delhi where crowds stoned and tried to burn Sikh homes, temples and shops during a protest strike against the massacre of 70 Hindu bus passengers. Page 3

Sudan expulsions

Sudan ordered 20 foreign relief organisations that channel food to the hungry to quit the country by the end of August - because they had failed to follow registration procedures.

Swedish price thaw

The Swedish Government said it was further easing a general price freeze imposed in January by taking restrictions off the cost of cars, transport, municipal rates and most food.

Kurdish massacre

Kurdish insurgents massacred 28 people, 11 of them children, in two villages in south-east Turkey, hours after Prime Minister Turgut Ozal urged the rebels to give up their struggle for autonomy.

Machel crash inquiry

A South African-led inquiry into the air crash last October which killed President Samora Machel of Mozambique found that the aircraft's Soviet crew committed a series of errors and was to blame for the disaster.

Soviet exodus

About 10,000 Jews had requested exit visas from the Soviet Union so far this year and 40 per cent of them had received permission to emigrate, a Moscow official said.

Fewer Contras

The number of US-backed Contra rebels fighting Nicaragua's left-wing Sandinista Government had fallen from 20,000 to 6,000, Nicaraguan Vice-President Sergio Ramirez was quoted as saying.

Tin Council attacked

A British court said the International Tin Council had behaved more like a disreputable debtor than a responsible organisation towards creditors owed $1.4bn.

Technology boost

Prime Minister Jacques Chirac, concerned that France might be falling behind in technology, announced a 7.7 per cent boost for research and development spending next year.

Japanese live longer

The average Japanese man can expect to live 75.23 years and the average woman 80.93 years - giving them the world's highest life expectancy - the Health and Welfare Ministry said.

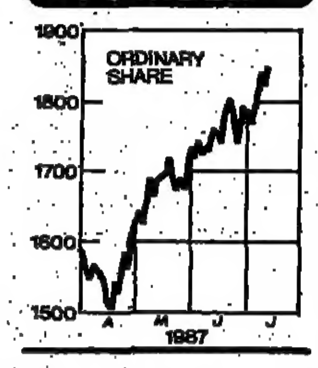
Business Summary

Benetton moves into financial services

BENETTON, Italian casual clothing group, has unveiled plans to diversify into financial services and merchant banking. The company has recruited Mr Giovanni Franzi, a former Merrill Lynch investment banking officer, to become managing director of In-holding, its new financial services company. Page 17

LONDON equities hit fresh peaks on the Hill Samuel/UBS news. The FT-SE added 14.1 to 2,371.0 and the FT Ordinary index jumped 18.9 to 1,848.1, both new highs. Gilts were quiet. Page 24

FT INDEX



WALL STREET: The Dow Jones industrial average closed down 12.76 at 2451.21. Page 38

TOKYO: The Nikkei average rebounded 283.48 to 23,755.90 on the easing of controls on margin trading and the overnight record on Wall Street. Page 38

GOLD fell in London to $445.00 from $446.50. It also fell in Zurich to $444.00 from $446.55. Page 26

DOLLAR closed in New York at DM 1.8490, FFr 6.1310, SFr 1.5355 and Y150.20. In London, it fell to DM 1.8380 (DM 1.8415); FFr 6.1275 (FFr 6.1350); Y149.90 (Y150.55), but rose to SFr 1.5340 (SFr 1.5335). On Bank of England figures the dollar's index was unchanged at 103.0. Page 27

STERLING was unchanged in London at $1.6180 and SFr 2.4825. It fell to DM 2.9750 (DM 2.9800); FFr 9.9150 (FFr 9.9275) and Y242.50 (Y243.50). The pound's exchange rate index was unchanged at 73.0. Page 27

CASIO COMPUTER, leading Japanese digital watchmaker, suffered a 59 per cent plunge in consolidated net profit to Y2.86bn ($19m) last year. Page 20

JP MORGAN, parent of Morgan Guaranty Trust, has produced its first quarterly loss since going public in 1959 with a deficit of $586.4m in the three months to June, against net income of $237m or $1.29 a share last year. Page 17

STEFANEL, Italian casual clothes producer, plans to raise L140bn ($105m) with a debut share issue on the Milan bourse scheduled for September. Page 17.

LA FONDIARIA, the Florence-based insurer which is controlled by Montedison, saw a 58 per cent jump in consolidated net profit for 1986, to L95bn ($71.5m). Page 17

DUTCH PUBLISHER Wolters Samsom has unveiled its friendly takeover bid for Kluwer, the third largest publishing company in the Netherlands. Page 17

AUSTRIA plans to raise Sch 8bn ($620m) by privatising the country's electricity industry. Page 17

US SPRINT, the GTE-United Telecommunications joint venture, announced a senior management shake-up amid signs of troubles in its customer billing procedure. Page 19

INTERNATIONAL Tin Council was accused of behaving more like a "disreputable debtor" than a responsible organisation and was ordered to disclose to a creditor full details of its UK assets. Page 26

Swiss bank makes takeover approach to Hill Samuel

BY DAVID LASCELLES AND CLIVE WOLMAN IN LONDON

THE UNION BANK of Switzerland has made a takeover approach to the Hill Samuel Group, one of the City of London's leading merchant banking and financial services groups.

The deal, potentially worth more than £600m, would create one of the largest financial groups in London, including the largest stock exchange member firm with an estimated 10 per cent share of the UK securities business.

The board of Hill Samuel said yesterday that it was willing to consider UBS's proposals. But in a dramatic development, Mr Christopher Castleman, the chief executive, resigned because he opposed the loss of Hill Samuel's independence that would result from the deal.

Sir Robert Clark, Hill Samuel's chairman, who yesterday assumed Mr Castleman's responsibilities, said that the rest of his 14-man board fully supported the opening of merger negotiations. A merger with UBS, he said, "is an exceptional opportunity to create one of the most powerful houses in London."

UBS, the largest of Switzerland's Big Three banks, made the approach two weeks ago, and negotiations have yet to reach the detailed stage. But Mr Castleman's resignation forced the two banks to make an announcement. Several weeks of further talks will be necessary, Sir Robert said, before any firm deal is reached.

The Bank of England, which has been informed of the talks, made no comment yesterday. The deal would be the largest foreign acquisition of a UK accepting house but there are no obvious regulatory obstacles to its completion. The Accepting Houses Committee, the exclusive trade group to which Hill Samuel belongs, indicated that the acquisition would not arouse opposition.

The announcement comes in the wake of continued speculation about Hill Samuel's future. In recent months several large shareholders have taken stakes in the group. The leading ones now are FAI, the Australian insurance company, with 14 per cent, and Consolidated Press with 12 per cent. Altogether Australian interests own 27 per cent.

There was no immediate reaction from them yesterday. But since their interest is viewed as speculative rather than strategic, they are not expected to put up major resistance to UBS.

UBS already has a substantial presence in London. It includes a large international capital markets operation, as well as Phillips & Drew, the UK stockbroking firm which it bought last year in preparation for the Big Bang deregulation of the stock exchange. In recent years, Phillips and Drew has been rapidly expanding its operations, both in securities and investment management, but its management was anxious to acquire a merchant bank. This was a major factor behind UBS's decision to make an approach.

At the time of the approach, Hill Samuel had been considering a change in its strategy. One group of directors, led by Mr John Chiene, the former senior partner of Wood Mackenzie, the stockbroking firm acquired by Hill Samuel, favoured seeking a merger partner as a way of boosting the bank's capital and broadening its activities in the securities markets. However, approaches from Hill Samuel's Australian investors were rejected.

The intention of UBS is to merge Phillips and Drew and Wood Mackenzie into a single operation which will have a much more comprehensive coverage of all UK industrial sectors and of fixed interest markets. The analysts of the two firms generally cover complementary rather than overlapping sectors. In investment management, Phillips and Drew's strength is in the pension market whilst Hill Samuel has a strong retail unit trust and life assurance base but lost pension fund clients as a result of poor performance in 1983-84.

Sir Robert said that if the deal went through he would expect Hill Samuel to retain a high degree of independence.

Hill Samuel's shares closed at 676p last night, up 165p on the day, giving the group a market capitalisation of £642m.

Lex, Page 16; details, Page 21

Taiwanese end controls on overseas investment

BY BOB KING IN TAIPEI

THE TAIWANESE Government yesterday ended almost four decades of stringent currency controls and has allowed companies and individuals to invest abroad freely.

Yesterday's decision by the cabinet, which was widely expected, comes after an embarrassing increase in foreign currency reserves as a result of Taiwan's large trade surplus, and speculative inflows of capital on the expectation of a revaluation of the New Taiwan dollar. The country's foreign exchange reserves stand at $62bn, the third biggest after Japan and West Germany.

Along with the relaxation of exchange controls on capital outflows, the Government will for the time being prohibit individuals from bringing in more than $50,000 a year. This is an attempt to end the inflow of speculative money which is estimated at as much as $10bn during the past 12 months. Normal trade-related currency movements, however, will not be affected by the restrictions.

With the Government required to exchange foreign-currency earnings into Taiwan dollars, the increase in reserves has threatened to ignite inflation because of the growth in money supply.

The cabinet acted after earlier parliamentary approval of the measure, which at the same time denied the executive the right to reimpose controls without the consent of parliament.

Under the new rules, to take effect July 15, individuals and companies will be allowed to remit abroad up to $5m a year, or its equivalent in other currencies. There will be no restrictions on the use to which the money is put.

The Central Bank first proposed a sweeping revision of the foreign-exchange regulations in January, but was stymied for a time by opposition from conservatives within the cabinet who felt that lifting the controls would cause massive capital flight.

The move, which comes just two days after parliament voted to lift more than 38 years of martial law, should make life much easier for businessmen, who have often complained of bureaucracy and delays in foreign-currency dealings

It could also prove a boon for foreign stock, bond, and property markets as the Taiwanese cast about for investment opportunities, and could make Taiwan a more attractive investment proposition for foreign companies as well.

The Government imposed the controls in 1950, shortly after it fled to Taiwan from China. The controls required exporters and individuals to surrender their foreign-currency earnings and holdings to the Central Bank, which exchanged them for New Taiwan dollars.

Foreign investment applications were screened on a case-by-case basis, and local citizens only recently were allowed indirect access to foreign capital markets

Third World debt swaps 'may hinder economic adjustment'

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT, IN LONDON

THE GROWING market in the swapping of Third World loans could complicate the already difficult process of economic adjustment and rescheduling among debtor countries, a report published today concludes.

The report is by the Group of Thirty, which combines senior figures in international business and finance from the private and public sectors.

A separate study by the group concludes that a solution to the debt crisis requires a greater role for official institutions.

Alternative sources of finance, such as equity investments, are unlikely to fill the financing needs of the less developed countries over the next few years, given a probable reduction in new money from commercial banks, the report says.

It suggests an increase in capital of the World Bank will be necessary to permit it to make more loans, although only a modest fraction might need to be paid up by member countries.

There has been an increasing focus on the growing market in debt swaps, in which loans to rescheduling countries have been traded, often at substantial discounts to their face value, since US banks started to boost their reserves for possible loan losses, led by Citibank in May.

Trading of loans is one way banks hope to gain some benefit from what continues to be a substantial problem for them.

The Group of Thirty report, written by two officials of the Federal Reserve Bank of New York, Mr David L Roberts and Mr Eli M Remolona, concludes that debt swaps can cause significant distortions inhibiting necessary economic adjustment. For example, swaps of debt for equity in domestic companies effectively leads to the creation of a preferential exchange rate, which can distort trade.

The aim of the swaps for debtor countries is often to retire foreign debt and at the same time encourage investment by foreigners or the repatriation of flight capital by residents. Their benefits hinge largely on whether they encourage capital flows into the country that otherwise would not take place. The report drawns no conclusions about whether this actually occurs.

Editorial comment, Page 14; details, Page 21

Irangate officials 'watched North shred documents'

By Lionel Barber in Washington

LT COL OLIVER NORTH yesterday described how he shredded dozens of politically embarrassing documents at the White House in the presence of Justice Department investigators probing the secret US arms sales to Iran.

In a dramatic disclosure yesterday to the joint House of Representatives-Senate Committee investigating the Iran Contra affair, Col North said he shredded the documents to avoid political embarrassment because they related to his role in arming the Nicaraguan Contra rebels during a Congressional ban on US military aid.

The disclosure appears certain to damage Mr Edwin Meese, US Attorney General, who led a fact-finding inquiry into the US arms sales last November.

Col North admitted under cross-examination that the US Justice Department team allowed him to shred documents even after discovering a memorandum in which Col North suggested diverting millions of dollars from profits from the US arms sale to Iran to the Contra rebels.

'They sat in my office and I walked right out to the shredder, which was outside the door, and I shredded documents,' Col North said.

To laughter in the Senate caucus room, he added: 'They were working on their projects and I was working on mine.'

Mr Meese has already been placed in difficulty because of Col North's testimony over the past three days. Col North suggested yesterday that Mr Meese, despite his denials, knew about US-approved arms shipments from Israel to Iran in late 1985. These shipments had to be ratified by President Reagan afterwards, in order to comply with US law. Mr Meese, as Attorney General, must have helped in the drafting process, Col North said.

Mr Meese's fact-finding inquiry has been criticised at the Iran Contra hearings for being slack and ill-prepared. He used no investigators with criminal experience, and, despite Col North's shredding, his White House office was not made secure for at least a week after the initial questioning of the marine lieutenant-colonel.

Earlier in yesterday's hearings, Col North vigorously defended his role in the affair and sought to blame the US Congress for the scandal.

In his opening statement, Col North said he would walk tall with his head high from the hearings and that he was proud of his five years work at the

Continued on Page 16

North's niche: the tenacious Mr Sullivan, Page 4

Gold Fields reduces SA interests

BY STEFAN WAGSTYL IN LONDONAND JIM JONES IN JOHANNESBURG

CONSOLIDATED Gold Fields, the UK-based mining group, is reducing its interests in South Africa, where its fortunes were founded, in order to invest more elsewhere, mainly in the UK, the US and Australia.

The company is selling 10 per cent of its 48 per cent stake in Gold Fields of South Africa (GFSA), its principal South African investment, for £131m ($212m) to Rembrandt, the South African conglomerate.

Mr Rudolph Agnew, the chairman, said the economic and political outlook for South Africa was "among a whole series of things" which influenced the group's decision. Gold Fields was concerned about the prospects for inflation in South Africa as the country went through "economic and social restructuring."

Gold Fields shares soared £1½ to £11⅝ on yesterday's announcement.

The terms of the sale allow Gold Fields to maintain its present level of managerial influence over GFSA. The group is putting a 30 per cent stake in GFSA into a holding company, of which Gold Fields will own two-thirds and Rembrandt one-third. Gold Fields will continue to hold separately 18 per cent stake of GFSA, as well as direct stakes in mines managed by GFSA, which include Kloof and Driefontein Consolidated, two of the largest in South Africa.

Mr Agnew said there were no plans "at the moment" to sell any more of GFSA, which was "a core holding."

Rembrandt is paying £16 a share in sterling for the GFSA shares - 11 per cent above the market price. The tobacco, liquor, financial and industrial group is ready to pay a premium in order to increase its presence in the tightly-controlled and immensely profitable gold industry.

Most of the mines are managed by just four rival houses - GFSA, Rand Mines, Gencor and Anglo American. Rembrandt has long had a 30 per cent stake in Federale Mynbou, which owns more than 50 per cent of Gencor, but has failed to win any direct say in Gencor's management.

Rembrandt, which reported net current assets and portfolio investments of R1.6bn ($782m) in its last published balance sheet, has the resources to increase its stake in GFSA. It said yesterday it did not want a majority shareholding in GFSA, but under the deal with Gold Fields it does have pre-emptive rights over Gold Fields' stake in the joint holding company and over part of Gold Fields' 18 per cent direct stake in GFSA.

Stockbrokers in Johannesburg yesterday saw the deal as a rebuff for Anglo American, which controls 28 per cent of Gold Fields and 20 per cent of GFSA.

The GFSA board in Johannesburg has been concerned over Anglo's ambitions, ever since Anglo acquired its Gold Fields stake after a dawn raid in London five years ago.

US 'not to retaliate' over Iranian attack

BY STEWART FLEMING IN WASHINGTON

THE UNITED STATES does not intend to retaliate against an Iranian grenade attack which set the US tanker Peconic on fire in the Gulf yesterday, the White House announced.

But the attack seems certain to reignite the controversy over the wisdom of the Reagan Administration's decision to put American flags on 11 Kuwaiti tankers and provide them with military escorts in the Gulf.

'We have no intention of retaliating,' Mr Marlin Fitzwater, the White House spokesman, said in response to questions about how the US would react to the attack some 60 miles south of Kuwait's Al Ahmadi oil terminal.

The ship, which was on charter to the US oil giant Texaco and operated under a Liberian flag by the New York based firm Universe Tankships (Delaware), was reportedly set on fire and was being towed to port by three tugs. Cable News Network quoted a radio operator aboard the ship as saying that there were no casualties among its 37 man crew.

In Washington The White House sought to cast the event as just another in a long series of regrettable attacks on shipping in the Gulf. Mr Fitzwater, pointing out that the ship was flying a Liberian flag, said that this sort of incident was 'all too common.'

'This and other attacks should

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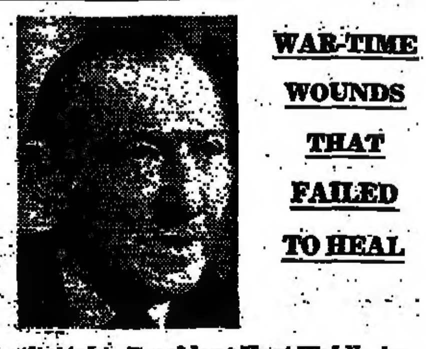


Austrian President Kurt Waldheim, whose election stirred bitter memories, Page 16

WAR-TIME WOUNDS THAT FAILED TO HEAL

FANFANI HANDS RESIGNATION TO PRESIDENT

De Mita likely to be next Italian PM

BY ALAN FRIEDMAN IN MILAN

ITALY'S caretaker Prime Minister, Mr Amintore Fanfani, handed in his resignation yesterday in a ritual act which clears the way for President Francesco Cossiga to bgin a weekend of consultations with party leaders on the formation of a new government.

President Cossiga's consultations, which begin today, are expected to culminate on Monday with his naming of a new Prime Minister-designate. This, in turn, will open up a new round of wrangling between the two party leaders who domiate the Rome political scene — former Socialist Prime Minister Mr Bettinoo Craxi and the Christian Domocrat leader, Mr Ciriaco De Mita.

It was 18 weeks ago that Mr Craxi stepped down as Prime Ministers after a lengthy and bitter struggle in the five-party coalition Government which had lasted a record three and a half years. It has been 25 days, meanwhile, since the general election which gave a relative boost to the Socialists and saw the Christian Democrats gain only modestly.

In Rome political circles the name most frequently being mentioned as the likely Prime Mininiers-designate is that of 59-year-old Mr De Mita. He has led the Christian Democrats since 1982 but has never held a cabinet post in his life. For the past week all of Italy has been forced to live out Mr De Mita's privat agonising over whether he wants the job. It appears that Mr De Mita does not especially wish to leave the helm of his party to immerse himself in the business of government, but he also realises that his time may have come.

Mr Craxi's Socialist Party—which had its hand strengthened considerably in the election by increasing its share of the national vote from 11.4 to 14.3 per cent—has already agreed in principle to the idea of a Christian Democrat leading the next Government. But Mr Craxi is said to be unwilling to accept a cabinet post in a government led by Mr De Mita, whom he dislikes violently. It could, therefore, prove easier for the Christian Democrats to secure the premiership if they put up a candidate other than Mr De Mita.

The next two or three weeks are thus likely to be characterised by typically Machiavellian jockeying for advantage by the Socialists and Christian Democrats. Mr De Mita, for his part, has made it clear that he wants a "strong and durable" government rather than the kind of "government of programme" which Mr Craxi has in mind. It is thought that some kind of government will be formed before the August holidays.

Although anything can happen in Italian politics it is widely believed that Mr Craxi might be content to see a Christian Democrat installed at the Palazzo Chigi on the assumption that he could then take pot-shots from outside the government and position himself for an eventual return as premier.

With Mr Craxi apparently unwilling to consider an alternative coalition with the much weakened Communist party, the Socialists and Christian Democrats are more or less condemned to cohabitation.

But the political negotiations on the formation of a new government will undoubtedly run up against bargaining over matters such as Mr Craxi's desire for a programme of institutional and electoral reform, the allocation of cabinet posts and the most difficult issue of whether to go ahead with referendums on nuclear power and judicial reform. On this last point a clear majority of the Chamber of Deputies (including both the Socialists and Communists) has signed a proposal to hold the referendums, which the Christian Democrats oppose.

It is thought that the eventual collapse of a new Christian Democrat-led government could well come over the referendum issue.

Mr Fanfani leaves the President's office after resigning

Ferruzzi plans to produce ethanol at plant in northern France

BY ALAN FRIEDMAN IN MILAN AND GEORGE GRAHAM IN PARIS

FERRUZZI, the Italian agro-industrial, said yesterday it planned to build its first ethanol plant in the north of France. The company has been lobbying European governments to redirect export subsidies for cereals towards production of ethanol, a petrol additive.

The project follows an announcemet earlier this week by Mr Jacques Chirac, the French Prime Minister, of incentives for the production of ethanolin France. Mr Chirac described the reduction in tax on ethanol as an historic decision aimed at developing argiculture's industrial outlets.

Mr Raul Gardini, Ferruzzi's chairman, yesterday called the French move "an historic development, in political, economic and technical terms." He has been lobbying Paris, Rome and the European Commission in Brussels to provide financial incentives for ethanol.

The Ferruzzi plant in France which according to an executive will be built in 1988 or 1989, would have annual productive capacity of 25,000 tonnes. The cost of the plant, to be located near the Belgian border, would range between $10m and $20m.

The company plans to locate the plant near Hauboudin, the site of a starch processing factory which is part of Ferruzzi's recently acquired CPC International subsidiary. "In order to achieve economies of scale we will be looking for a site near to the CPC plant and we would do the same in other countries in Europe where CPC has plants," an executive said yesterday.

The production of 25,000 tonnes of ethanol would require 75,000 tonnes of raw material, of which a third would be sugar beets and the rest wheat. Ferruzzi has a dozen sugar processing plants in northern France through its Beghin-Say subsidiary.

The Ravenna-based Ferruzzi, which failed in its recent bid to take control of British Sugar when the UK Monopolies Commission blocked the offer, already operates an ethanol plant at Myrtle Grove in Lousiana.

Mr Gardini has consistently rejected objections that ethanol is uneconomic and predicated upon EC subsidies. His argument is that, instead of spending EC funds on export subsidies for cereals and grains, the subsidies should be redirected and the surpluses can be transformed into ethanol.

Ferruzzi, which had $8.2bn of revenues last year, is Europe's biggest sugar conglomerate, the largest cereals trader and, with CPC, it is also Europe's biggest strach producer. The group also has effective control of the Montedison chemicals concern.

French farmers are congratulating themselves on the success of their guerrilla campaign to win more favourable tax treatment for the production of ethanol from agricultural crops as a car fuel Angry farmers have in recent weeks taken to hijacking the oil-company "sniffer" lorries which are criss-crossing the French mainland in search of oilfields, in a bid to win the same tax treatment for ethanol as for diesel.

Supporters of ethanol believe production could reach 1.2m tonnes a year, which would account for around 5 per cent of France's total motoring energy consumption. Besides reducing dependency on energy imports, they say, greater use of ethanol would reduce pollution.

Observers note that ethanol currently costs FFr 3.50 (£0.35) a litre compared with FFr 0.90 for a litre of petrol, and that the improvement in tax treatment for ethanol will only cut this gap by around FFr 1.60. The remaining FFr 1 gap depends on EC subsidies.

Top French institute takes pessimistic line on economy

BY GEORGE GRAHAM IN PARIS

INSEE, France's national statistical institute, has again confirmed its reputation for taking a different and more pessimistic line than the government on the French economy.

Its latest forecast is gloomy: economic growth falling to 1.3 per cent this year from 2.2 per cent in 1986, inflation rising to 3.5 per cent from 2.1 per cent, and a current account that drops to bare equilibrium after a surplus of FFr 25bn (£2.5bn) last year.

Stocks continue to increase, and the deterioration in France's trading balance for manufactured goods, although slowing down, implies that further efforts will have to be made to improve the competitiveness of the country's exporters.

Insee concludes that 1987 looks like a year of adjustment for the French economy after a period of growth in 1986, but the adjustment is not over.

"The difficulty which remains is to avoid letting this adjustment weigh too heavily on growth," Insee says in the report.

Yet the picture painted by Insee is not altogether grim. Mr Edouard Balladur, the Finance Minister, took care to undermine the broadly unfavourable impression of the Insee report before its publication by drawing attention to the brighter points.

Inflation, for example, is set to rise to an annual rate of 3.5 per cent by the end of the year, according to the Insee forecasts, whereas the projection enshrined in the government's budget framework is of only 2 per cent.

Without energy — and oil prices have mounted significantly since last year — Insee expects consumer prices to rise by 3.8 per cent over the year, 0.2 percentage points below the 1986 rate.

The second half of the year will show a deceleration of inflation, Insee says, particularly in the area of private sector services, where prices rose sharply after the ending of government controls at the end of last year.

INSEE GROWTH FORECASTS

	1986	1987
GDP	2.2	1.3
Household consumption	3.5	1.6
Unemployment rate (year-end)	10.7	11.2
Total employment	0.0	−0.5
Consumer prices	2.1	3.5
Current account (FFr bn)	23.6	0.0

Prices for services rose by 5.1 per cent in the first half of the year, but Insee expects a rise of only 1.8 per cent in the second half.

For Mr Balladur, the Insee analysis confirms the pursuit of the process of disinflation. The Finance Minister believes that the control of inflation has been handicapped by one international factor, energy prices, and one domestic factor, the ending of price controls, but that France will nevertheless have succeeded by the end of the year in reducing the gap between its inflation rate and that of West Germany to 2 percentage points.

Sweden to ease price freeze

By Kevin Done, Nordic Correspondent in Stockholm

THE SWEDISH Government is to make substantial further relaxations in its six-month-long price freeze.

The first steps towards winding down the price freeze were announced last month, but several more sectors are now to be removed from the freeze with effect from Monday.

The state's Prices and Cartel Agency has reached agreement with several business sectors which have given pledges to limit price increases for the rest of the year.

Goods and services that will now be excluded from the price freeze include the motor trade, local authority services, most food items, postal charges, newspapers and building services.

Mr Bengt Johansson, the deputy Finance Minister, said the price freeze which has been in force since early January had been successful in dampening inflationary expectations.

The Government is maintaining its earlier forecast of an increase of 4 per cent in consumer prices in the 12 months to December 1987, although many Swedish economists consider that inflation could be running at around 5 per cent by the end of the year compared with a 12-month increase of 3.2 per cent in 1986.

In May the year-on-year inflation rate was running at 3.5 per cent.

● Sweden's ruling Social Democratic Party indicated yesterday that it was to look for new measures to reduce the concentration of economic power in the country.

Moscow says Pershing 1A issue deadlocked

TALKS BETWEEN Moscow and Bonn about 72 West German Pershing 1A missiles armed with US nuclear warheads ended in deadlock this week, the Soviet Foreign Ministry spokesman, Mr Boris Pyadyshev, said yesterday, Reuter reports from Moscow.

Soviet leaders, in talks with President Richard von Weizsaecker of West Germany, had asked that Bonn define its position on the issue to help Moscow and Washington reach an agreement to remove nuclear weapons from Europe, he said.

"On the whole, the West German position created a kind of deadlock," Mr Pyadyshev told reporters. "We have the impression that the West German side wants to create a kind of vicious circle on this question."

He accused Bonn and Washington of breaking the 1968 Nuclear Non-Proliferation Treaty barring countries possessing nuclear weapons from transferring them to non-nuclear states.

Bonn wants to keep the Pershing 1As on West German soil as protection in the event of an accord eliminating medium- and shorter-range missiles from Europe. Moscow says that because the Pershings carry US warheads they must be included in any such arms deal. It cites Bonn's wish to retain them as an obstacle

"If West Germany really wants progress at the (Soviet-US) talks in Geneva, it should define a clear position on this question and we expect that it will be done," Mr Pyadyshev said.

The Soviet Union viewed President von Weizaecker's visit in a favourable light, he said, and the foreign ministers of the two countries would meet at the next session of the United Nations to discuss "preparations for a higher-level visit."

Government officials in Bonn said that Mr Mikhail Gorbachev would visit West Germany in the next 12 months.

Bavarian AIDS proposals worry Brussels

THE EUROPEAN Commission said yesterday it was concerned by proposals in West Germany to deport foreign AIDS sufferers or to prevent them from entering the country, Reuter reports from Brussels.

Any such measure would threaten the free movement of European Community citizens which is stipulated in Community law, the Commission said.

It noted reports that the regional government of Bavaria was to put the proposals to the West German federal government in an attempt to halt the spread of the killer disease AIDS.

"The Commission will not shirk from its responsibilities under the Community treaties; it would act with the greatest diligence if Community standards were to be violated," it said.

"An AIDS victim is just like you and me. He goes once a week to hospital and there is no need to confine him to a hospital ward. Why coop him up when he has the possibility of free movement?" a community official said.

He said a 1964 EC directive stated that member states were justified in turning foreigners away for medical reasons in the case of tuberculosis, syphilis, illness requiring quarantine, or "other contagious infectious or parasitic illnesses" covered by the law of the host country.

But he said it had not been determined that AIDS, which is most commonly transmitted sexually, fell into the category of infectious or parasitic diseases.

EC health ministers who met in Brussels last May pledged to respect the free movement of Community citizens and to avoid contradictory national policies that could lead to discrimination against AIDS sufferers.

Romania fights loss of favoured trade status

BY LESLIE COLITT IN BERLIN

ROMANIA IS actively opposing a decision by the US Senate last month to suspend for six months its most favoured nation (MFN) trade status because of alleged human rights violations.

The loss of MFN status would cost Bucharest some $600m annually according to the US Commerce Department. However, Congressional proponents of the suspension say the loss would be closer to $200m. Romanian exports to the US last year were $839m while US exports to Romania were $251m.

The Senate attached an amendment on Romania to the controversial Trade Bill which is to be presented to President Ronald Reagan for approval, but which he is widely expected to veto. Romania protested sharply against the Senate vote, calling it a "hostile act" which interfered in the country's internal affairs.

President Nicolae Ceausescu recently had talks on the Senate action with Mr Seymour Reich, president of B'Nai B'Rith, the American Jewish charitable organisation. Jewish organisations in the US until recently supported Romania because it allowed most of its Jews emigrate to Israel and was the only Communist country which did not sever diplomatic relations with Tel Aviv after the 1967 Six Day War.

But now US Jewish groups are split over whether to withhold Romania's MFN status in an attempt to persuade Bucharest to improve the lot of religious minorities and respect human rights. B'Nai B'Rith continues to support MFN status for Romania and President Ceausescu apparently believes it can help in Romania's effort to improve its tarnished image in the US. Mr Ceausescu also had talks with Mr Theo Klein, chairman of the Western European section of the World Jewish Congress.

Portugal's economy booming

By Diana Smith in Lisbon

THE PORTUGUESE economy is expanding dynamically, according to the Bank of Portugal's latest monthly report.

Coinciding with the last 10 days of the campaign for the general and European Parliament elections on July 19, the report reveals that most of the main indicators of economic growth were sharply on the rise in the first four months of this year.

Commercial vehicle sales rose by 71 per cent compared with January-April 1986, while passenger vehicle sales rose by 31 per cent. Petrol consumption soared, although the price per litre is one of the highest in Europe.

Signs of a resumption in investment after the slump of 1983-86 were strong; cement consumption grew by 8.5 per cent, while machinery imports grew by 35.8 per cent. Private consumption continued to rise: that of foodstuffs increased by almost 11 per cent compared with the same period of 1986, and that of non-food products by 23.6 per cent.

The authorities, in fact, are seriously worried about consumer pressure on money supply and inflation, which they are trying to hold to 8 or 9 per cent this year.

The strong Bank of Portugal figures are likely to provide Prof Anibal Cavaco Silva, the Prime Minister, with handy tools for the last stages of his highly-personalised "only my government and my party — the Social Democrats — can make Portugal grow" style of promoting his bid for an overall majority.

Greek doctors angry over prescription measure

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S PRIVATE doctors and the Ministry of Finance have clashed over recent measures to curb tax evasion among the medical profession.

The conflict arose when the Ministry, which is committed to raising an extra Dr 58bn (£260m) from income tax under this year's budget, announced that medical prescriptions must be validated by the tax authorities, or be liable to a fine of Dr 80,000 per prescription.

To back the move, Mr Dimitris Tsovolas, the Finance Minister, disclosed this week that more than 80 per cent of the country's private doctors and dentists had declared an annual income of less than Dr 1m (approximately £4,500) in 1986, a figure considered unrealistically low.

At the same time, the Minister said a surprise June inspection of 14,720 prescriptions found that only 603 had been validated by the tax authorities as required.

Mr Tsovolas's disclosure drew an angry response from the Panhellenic Medical and Dental Associations, which accused him of mudslinging and called for his resignation. Doctors also said they will fight the measures with extended strikes.

Death toll rises in attacks by Kurdish guerrillas

BY DAVID BARCHARD IN ANKARA

THE death toll from the latest armed attacks by Kurdish insurgents in southeastern Turkey rose to 28 yesterday.

The Prime Minister, Mr Turgut Ozal, and the Interior Minister, Mr Yildirim Akbulut, yesterday visited the scene of the attacks—villages in Mardin province, not far from Pinarcik, the scene of a massacre on June 13 in which 30 people died.

The semi-official Anatolia News Agency said bands of up to 25 terrorists had attacked two villages, Pecenek and Yuvali, in Mardin province not far from the Syrian frontier. In Pecenek, 16 people were killed and four of its 30 houses were burned down. In Yuvali, a further nine people were killed.

Anatolia reported later that one person was killed and 15 injured when a minibus taking mourners to Yuvali drove over a mine planted by the same separatist group. This was the first known occasion on which Kurdish groups have used land-mines.

Turkey has been fighting a guerrilla war against Kurdish rebels, thought to be followers the PKK (Workers' Party of Kurdistan) for the past three years. Early this year, the PKK switched from attacks on police stations and gendarmerie outposts to assualts on local people and communities loyal to the central government.

Opposition leaders in Ankara yesterday condemned the latest attack and called on the government to take more effective measures. The main opposition leader, Professor Erdal Inonu, urged that Parliament be recalled for a special session to debate the killings.

Soviet Union–Austria sign five trade and culture agreements

BY JUDY DEMPSEY IN VIENNA

FIVE AGREEMENTS were signed yesterday between the Soviet Union and Austria during the official visit to Vienna by the Soviet Prime Minister, Mr Nikolai Rzykhov.

The agreements include tourism, culture, shipping, landing rights and a protocol agreement that Austria will import oil and gas supplies from the Soviet Union up to the end of the century.

Austria imports between 3bn-4bn cubic metres of Soviet energy a year. The state-owned energy industry, OMV, last year paid Sch 6.8bn ($500m) for soviet gas imports amounting to 3.9bn cubic metres. A spokesman from the Austrian Ministry of Economic Affairs said the agreement did not stipulate any fixed quantities.

Austrian officials were optimistic about the agreements on culture and tourism. "They reflect the changing mood in Moscow," an economic affairs spokesman said.

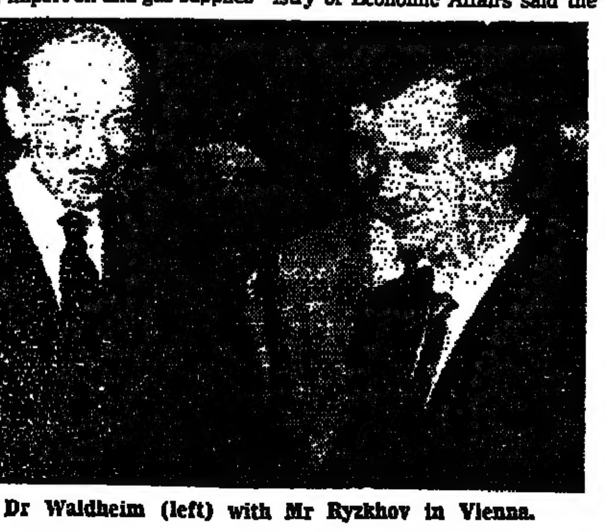
Under the terms of the tourism agreement, Austrians travelling to the Soviet Union and Soviet citizens travelling to Austria will be able to buy each other's newspapers in hotels and holiday resorts.

Thirty-six thousand Austrians visited Moscow last year in sharp contrast to the 7,000 Soviet visitors to Austria.

An Austrian spokesman said that, besides other restrictions inhibiting Soviet citizens from visiting Austria, the outstanding issue concerned the limited amounts of hard currency available to Soviet tourists for travelling abroad.

The tourism agreement also gives Austria landing rights at Moscow airport for the Austrian Airways route to Tokyo which begins in next April.

Mr Ryzkhov and his delegation return to Moscow today.



Dr Waldheim (left) with Mr Ryzkhov in Vienna.

Soviet grain imports expected to increase

THE SOVIET Union paid the equivalent of $16bn for food imports in 1986, 27 per cent less than the year before, an official newspaper reported yesterday, Reuter reports from Moscow.

Selskaya Zhizn, quoting the Foreign Trade Ministry, said a comparatively good grain harvest helped cut imports.

In the past the Soviet Union's grain purchases in world markets moved prices dramatically.

The figures showed that food imports last year totalled 10.7bn roubles ($16bn), or 17.1 per cent of all Soviet imports.

But meat imports rose nine per cent, while purchases of products grown in tropical zones were also higher and the country remained unable to produce enough livestock fodder.

The paper said Moscow paid 2bn roubles for imported grain in 1986, compared with 4.8bn roubles the previous year. It did not specify the total tonnage of imported grain.

The US Department of Agriculture (USDA) said last month that Soviet grain imports were expected to rise to 36m tonnes in the year beginning July 1, 1987, from 30.5m in the previous 12 months, due to expected poorer yields.

The Soviet Union produced 210.1m tonnes of grain in 1986, the highest yield since 1978, and has set a target of 232m for 1987. But the USDA has predicted a lower yield this year than in 1986 due to a late start to Soviet spring sowing.

Selskaya Zhizn said grain imports from the US had dropped in 1986 to 4m tonnes, at a cost of 300m roubles from 15.3m tonnes worth 1.6bn roubles in 1985.

Once the largest customer for US grain, Moscow sharply cut purchases of US wheat and corn in the last two years, saying that US grain was no longer competitively priced.

But a US subsidised wheat offer in April prompted heavy Soviet buying, and corn imports also increased.

EC fails to break deadlock over funding for research

BY QUENTIN PEEL IN BRUSSELS

AMBASSADORS of the 12 EC member states last night failed to resolve the deadlock between Britain and the rest over funding for joint Community research programmes.

The delay means that the European Parliament will maintain its blockage on three key programmes – broad band telecommunications, medical research, and Third World development research – until at least September.

A compromise plan worked out by the European Commission, the Danish presidency of the EC Council of Ministers, and UK officials, on the basis of an offer made by Mrs Margaret Thatcher, the British Prime Minister, at last week's summit in Brussels, failed to win enough support.

The deal would have given the go-ahead to a research framework programme amounting to some Ecu 5bn, ($5.7bn), or five years at the current spending rate of just over Ecu 1bn a year – more than Ecu 400m less than the compromise agreed by the other 11 states last March.

Officials said several member states thought the compromise amounted to a "surrender" to the UK veto on the research programmes, and sought a firm commitment that the British Goverment would add the extra Ecu 417m before the end of the year.

Mrs Thatcher's argument, repeated at the summit, was that she would not agree to the final tranche until she was convinced thatworkable spending control on the EC budget was in effect.

The whole subject of the research programme has become increasingly fraught as the UK veto has been maintained, and the European Commission insists that research workers in key programmes have already started being laid off.

The European Parliament research committee was meeting last night to decide its reaction, but was expected to maintain its refusal to deliver a legal opinion

FINANCIAL TIMES

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OVERSEAS NEWS

South Korean police keep out of sight for peaceful funeral

BY MAGGIE FORD IN SEOUL

POLICE IN two South Korean cities yesterday allowed hundreds of thousands of people to hold a peaceful funeral march in memory of a student killed after he was hit by a tear gas canister fired during a demonstration.

In Seoul more than 100,000 people including Mr Kim Dae Jung and Mr Kim Young Sam, the two opposition leaders followed the funeral cortege from the dead student's university campus to the centre of the city.

With riot police out of sight, students waving banners filled the main square, singing the national anthem. The authorities allowed the national flag to be lowered to half mast in the student's memory.

The student's body was then taken by family and friends to his home city of Kwangju, where hundreds were killed in an uprising against President Chun Doo Hwan's regime in 1980.

The day of mourning was marred by some violence when a crowd of around 50,000 decided to march towards the presidential mansion. Police stopped the marchers and eventually dispersed them with tear gas. A few dozen students fought riot police outside the city's Anglican cathedral.

Earlier the Government had announced the amnesty and restoration of civil rights for 2,335 people, including Mr Kim Dae Jung, who has been banned from politics under a suspended jail sentence for sedition. Mr Kim was charged with fomenting the Kwangju uprising, although he was in jail at the time.

Yesterday he said he planned to visit the city, and his hometown 50 miles away, along with other provincial cities to consult people's opinion about his future. Mr Kim said last year, in an effort to persuade President Chun to move towards democracy that he would not stand for President if elections were called. He has since said that large numbers of people have urged him to change his mind.

Many Koreans believe that one contributing factor to the 1979 military coup was the disunity between the two Kims, who campaigned against each other. Mr Kim Young Sam has not yet said whether he plans to stand for the presidency.

Mr Kim Dae Jung called again yesterday for a neutral national interim cabinet to be set up to administer the elections and solve the problem of the Kwanju uprising. Observers are concerned that the military's fear of revenge because of the rebellion is so great that a democratically elected opposition president might not be allowed to take power.

Hawke victory predicted in tomorrow's election

BY CHRIS SHERWELL IN SYDNEY

MR BOB HAWKE, Australia's Prime Minister, goes into tomorrow's federal election with the latest opinion polls predicting victory and an historic third term for his Labor Party over the opposition Liberal and National Parties.

According to the McNair Anderson poll carried out in all 148 constituences last weekend; Labor has a lead of no less than 12 per cent over the combined opposition—a margin which, if borne out, would increase Labor's 16-seat majority in the House of Representatives to 50.

The more closely watched weekly Morgan Gallup Poll, also conducted last weekend, indicates Labor has a four-point lead (48 to 44), narrower than in the previous two weeks of the campaign. The gap between Mr Hawke and his opponent, Mr John Howard, the Liberal leader, was at its narrowest in months.

A shrinking of Labor's lead was also reported yesterday in a survey by the Sydney Morning Herald, the country's leading daily newspaper, while approval of Mr Howard continued to strengthen. Surveys of business leaders were clearly in favour of the Liberals.

The polls are being treated cautiously because of the real margin for error, the significant number of undecided voters and sharply shifting sentiments in the last days of the campaign. Signs have also emerged of a pick-up in support for the Democrat Party, the principal minor party.

Mr Hawke nevertheless had some further encouraging economic news yesterday with the publication of figures showing a fall in unemployment in June to 8 per cent, the lowest level for 12 months.

The stock market has meanwhile continued the strong upward trend begun last week. The widely watched all-ordinaries index, which climbed 85 points last week, soared another 65 points by yesterday to finish at a record level just below the 1,900 mark.

Hindus protest at Sikh attacks

POLICE FIRED tear gas to disperse nagry Hindu crowds in New Delhi yesterday in scattered violence during a protest strike against the massacres of 70 Hindu bus passengers by Sikh gunmen, Reuter reports from New Delhi. Police said at least 200 people were arrested and tear gas fired to disperse crowds who had stoned and tried to burn five Sikh homes, two temples and three shops. One temple aws partially damaged by fire while a tyre shop was gutted.

In Punjab eight people were killed in separatist violence, bringing the toll in the past two days to 15, according to an unofficial tally.

Police said the victims included a Communist Party official and four members of his family, an activist with a moderate Sikh political party and two village headmen killed by militants campaigning for an independent Sikh state in Punjab.

Peres meets Mubarak

MR. SHIMON PERES, Israel's Foreign Minister met President Hosni Mubarak of Egypt yesterday after urging direct negotiations to resolve the Arab-Israeli conflict, Reuter reports from Geneva.

Peres told reporters on arrival that his meeting with Mr Mubarak would be "a great opportunity to summarise both the part of the road we've already done and prospects for the future."

Referring to his joint appeal with Mubarak in February for an international Middle East peace conference this year, Mr Peres added: "We said 1987 would be the year of peace and we are really trying to do our very best to realise it."

"We will have to overcome any difficulties and setbacks, yet we are moving ahead," he said.

Afrikaner liberals begin talks with ANC in Dakar

BY VICTOR MALLET IN DAKAR

THE South African liberals and leaders of the African National Congress meeting in the West African state of Senegal began their talks on South Africa's future yesterday undaunted by the stifling heat or the withering scorn from the white establishment at home.

President Abdou Diouf of Senegal, towering above his red-robed, scimitar-wielding presidential guards, opened the conference after watching a frenzied display of traditional dancing by calling for economic sanctions against South Africa and describing the battle against apartheid as the most important issue this century after the defeat of Nazism.

Among those at his side were Mrs Danielle Mitterrand, wife of the French President, and Mr Breyten Breytenbach, the exiled Afrikaans poet.

Mr Frederik van Zyl Slabbert, the liberal politician who helped to arrange the meeting, said the aim was to explore alternatives to what he called the brutal catastrophe unfolding in South Africa, but he acknowledged that the 50 or so Afrikaner liberals with him were on the fringes of white politics. "We are not here to promote any kind of artificial detente or negotiation," he said. "We simply haven't got the power to negotiate."

South African state radio this week described the conference as a gathering of "political terrorism and political impotence," but both the ANC and the Afrikaner liberals see it as a chance to correct white misconceptions about the ANC, which has been pressing for black rights in South Africa for more than 75 years and is now banned.

"A lot of these people have never seen independent Africa," said Mr Thabo Mbeki, leader of the ANC delegation. "They are subjected to a lot of propaganda that if blacks take over chaos reigns and nuns get raped."

Richard Gourlay looks at a new solution to a pressing Philippine problem

Negros faces dilemmas of land reform

THE DEBATE over whether large sugar and coconut estates should be included in a sweeping land reform programme, which President Corazon Aquino has said she will sign shortly, is nowhere more intense than on the sugar dominated island of Negros.

The Governor, Mr Danny Lacson, has denounced the Government's latest draft proposal, which calls for redistribution of large, mainly sugar, estates to the tenants and landless labourers. He calls it a recipe for social unrest and further political polarisation where the communist-led insurgency is already strong.

But unlike many critics, Mr Lacson has an alternative that might persuade intransigent landlords to participate. He and other pro-land reform planters object to the Government's latest proposal to cut landowner holdings of sugar, coconut, and agribusiness lands to a maximum of 7 hectares. The plan to complete a similar programme for rice and corn lands is generally accepted.

They say sugar cane would be torn up and planted to rice or corn. Because of the fall in cane production, as many as eight of the province's 14 mills might have to close. Though the planters have interests in the mills, closure would cut about 3,000 jobs per mill and aggravate the unemployment that in recent years has led to province-wide malnutrition during the slack sugar growing months.

Also they say, with some justification, that land reform cannot be carried out without landowner co-operation because of an almost cavalier contempt for the law. As the head of one large landowning family in Negros said: "No-one will enforce the judgment of a court two to three kilometres from the towns."

Mr Lacson's alternative has support from many planters and, surprisingly, the far left National Federation of Sugar Workers.

It is designed to bail out the planters from some huge debts, allowing them to produce enough sugar for the local mills and domestic sugar consumption. But it also calls for the transfer of land to the tenants and landless workers and to co-operatives.

At present more than half the province's 267,000 hectares of sugar land is forecloseable by the banks. By joining the scheme a landowner with "average" debts with the bank would pass 10 per cent of his land to the tenants, 30 per cent to the co-operative, which would then diversify, and keep 60 per cent for sugar with a restructured and much lower debt.

Mr Lacson counters critics by insisting that his plan buys time before a more comprehensive land reform. Co-operation from the landlords will allow time for the sugar workers to relearn farming skills after years as sugar workers, and allow them to learn farm management. It will also give time for diversification: sugar has no future once lucrative exports to the US at three times the world price stop in about two years' time.

Where the scheme is weak is in the application of co-operative farming. The nucleus estate type of co-operative has thrived in Malaysia but no one knows how it would work with the Philippine culture. Over centuries, feudal dependencies have developed between the peasants and their employers—rice loans in the dead season, health care and education—which will take time to break down.

Meanwhile, the Cabinet's Land Reform Committee is revising an executive order following nationwide consultations. Mr Lacson says he will push ahead with the programme if Mrs Aquino leaves the new Congress to decide the details of sugar and coconut land reform, as is possible.

If Mrs Aquino pushes through with a comprehensive programe, as she is under pressure to do, she will lose a reforming and previously supportive governor in Negros: Mr Lacson says he would resign.

Zhao attacks conservative opponents of reform

BY ROBERT THOMSON IN PEKING

MR ZHAO ZIYANG, the Chinese Premier, in a major pro-reform speech to senior Communist Party officials, has condemned conservative communists for fearing that the country is on the road to capitalism.

The speech was delivered two months ago, but not released until yesterday. It included strong criticism of party officials who tried to broaden a drive against "bourgeois liberalism" – or Western influence – to include the economic reform programme.

A campaign against "bourgeois liberalism" was launched in the wake of student protests late last year and included the dismissal of the Communist Party chief, Mr Hu Yaobang.

In January the campaign was supposed to be confined to party members, but conservatives also attacked artists, intellectuals and economic reformers for crossing the party line.

Premier Zhao, in addressing propaganda, media and other party officials, said some party cadres believed "the roots of bourgeois liberalism lie in the economic field", and so they attempted to halt the progress of reform and to close the "open door".

"This attitude is politically wrong, and is in violation of party discipline," he said. While he did not identify the offenders, at other closed meetings he has named conservatives whom he considers are "ossified" and afflicted by "leftism".

The "leftists" have repeatedly condemned the reform programme for violating communist principles and for leading the party and country down the "capitalist road".

Premier Zhao criticised the "leftists" for suggesting that leasing of businesses to individuals was promoting private ownership, and stressed that factory management reforms lessening the influence of party secretaries were not a threat to the party's overall power.

Zhao Ziyang

AMERICAN NEWS

Lionel Barber profiles 'Mr Goode,' campaigner against communism, while **Stewart Fleming** looks at the colonel's fighting legal counsel

How North's private war grew out of the public shame of Vietnam

IN TWO days of testimony to the joint Congressional enquiry into the Iran-Contra scandal, Marine Lt Col Oliver North has presented a vivid portrait of the alienation of the American soldier in modern US society.

This alienation goes beyond the Vietnam shock syndrome suffered by so many veterans (including North himself) returning home in defeat. It runs deep into the psyche of a man prepared to pay any price, bear any burden to fight the Communist threat, but who could not find a lawful place in the open, democratic society of the US today.

So he went under cover. As a middle-ranking White House aide Col North found his niche in the covert operation. Some of these para-military peacetime operations, like the mid-air interception and capture of the Achille Lauro hijackers, were extraordinarily successful.

All took place in a demi world: the late night pay drops for Nicaraguan Contra leaders outside the White House: the bizarre code names such as "Joshua" (better known as Ronald Reagan) and the most revealing of them all, "Mr Goode" (better known as Marine Lt. Col. Oliver Lawrence North).

Col North lives in a Manichean world where evil is easily traced and Moscow's threat to the US is pervasive: from communication intercepts from Cuba to Soviet surrogates in Africa, Asia and above all Central America, where the Sandinista Government in Nicaragua is a direct and very close threat to the US. "We live in a dangerous world," is the marine's favourite preamble.

He can reel off the name of every Marxist insurgency movement in the world without a pause. He was prepared to travel millions of miles, work incessant hours and even die for his country. Yet, as he so poignantly testified, when he was targeted for assassination by the Arab terrorist Abu Nidal the US Government would not even provide a bodyguard. Still Col North fought on

Many Americans (and many others abroad) would back the Contra rebel cause, too. But Col North was not willing to run the risk of losing in a public debate.

Having suffered the trauma of Vietnam, when first the US media then Congress turned against the war and left fighters like Col North in the paddy-fields, he determined to lead the struggle himself. "We won a *lot* of battles in Vietnam," he told the joint Senate inquiry, "but we lost the war."

Mr William Casey, the World War Two spymaster and now deceased director of the CIA, took the same view. Having seen how Congressional oversight laws (introduced post-Vietnam and Watergate) had hamstrung the CIA's covert activities, he chose Col North as his surrogate. The marine, adopting the CIA director as a father figure, finally round his role. "He was the best bred man I have ever met," said Col North this week. "He could read a whole book on a plane."

There is a boyish naivete about Col North which makes a nonsense of earlier White House propaganda that he was running a rogue operation in Government which no one else knew about. His naivete comes across most easily in his humour—"I was Mr Goode; I was very good," or "I guess I must have shredded my memory," but he bares his soul before the television cameras as only an American can.

When he admitted to "the grossest judgment of my life"—accepting and later concealing the gift of a home security system worth $14,000—Col North was trying to play a modern St Sebastian.

Col North may be the best rehearsed Congressional witness to appear on Capitol Hill since John Dean in the Watergate hearing. His natural television personality, communicated in a melodramatic tone, have already turned him into a box office hit. But strip away the verbiage and look into those deep sunken eyes and you will see a true believer who is still waging his very own private war.

Oliver North, left, and Brendan Sullivan

IN THE judgment of Sen Sam Nunn, one of the members of the congressional committee into the Iran/contra affair, he is "one of the best criminal lawyers around."

The man he is talking about is the slightly built, owlish-looking counsel to Lt Col Oliver North, Mr Brendan Sullivan.

Even before Col North's testimony began the tenacious Mr Sullivan had bruised the Congress's pride, forcing the committee to accept many of the conditions he was insisting upon in return for Col North's public testimony.

Within hours of the opening of the public hearing the 45-year-old Mr Sullivan had also left an indelible mark on a national television audience.

The star witness had not had a chance to answer the committee's first question before Mr Sullivan had displayed his celebrated determination to fight tooth and nail in his client's cause—not least by trying to arouse public sympathy for a man whose honesty and patriotism has been under a calculated attack from his enemies as his public testimony approached.

Voluminous records which had been delivered at the last minute to him had been deliberately "shuffled by date and subject matter . . . so that one could not begin to understand what those records said," Mr Sullivan charged.

In the hours of interrogation that followed one of the enduring images has been the sight of the slightly built Mr Sullivan whispering into Col North's ear, one fatherly arm around the, at times, impetuous marine, the other stretched out so that his hand could cover the microphone before them.

Those who knew Mr Sullivan and his law firm, Williams and Connolly, expected no less, however. Mr Edward Bennett Williams, until a few years ago one of the partners in Washington's chicest sports franchise, the Redskins football team, and owner today of the currently somewhat bedraggled Baltimore Orioles baseball team, is a Washington insider to his fingertips.

But his law firm has a reputation for being ready to take on the Federal Government and Mr Sullivan made his reputation doing exactly that in 1969, the height of the Vietnam war protests, two of 24 US soldiers charged by the army with mutiny at a California military stockade as a result of a sit-down strike, asked Capt Sullivan, who was not an army legal officer, to defend them.

According to the New York Times his aggressive prosecution of the case so angered the army top brass he was ordered to spend the last six months of his tour in Vietnam, a transfer that was eventually blocked.

Some question whether Mr Sullivan's aggressive approach to the Congress has been the best one. Others are predicting that the biggest confrontation between him and the committee has yet to come. The stage for that has already been set.

Mr Sullivan has already charged the committee with "stalling" so as to be able to recall Col North next week after having had a weekend to analyse his testimony. The informal understanding between him and the committee was that Col North's testimony would end tomorrow.

Greenpeace in new campaign

GREENPEACE, the environmental group, yesterday announced plans to confront nuclear ships on the high seas as part of an international campaign against the naval nuclear arms race, Reuter reports from Washington.

Greenpeace said it would use its five-ship fleet and other resources to oppose port calls by nuclear-armed or nuclear-powered ships belonging to the US, Soviet Union, Britain and France.

It did not mention action against China, the fifth power with naval nuclear capabilities.

Falklands defence budget cut

BRITAIN has cut the annual cost of defending the Argentine-claimed Falkland islands from a high of £1.8bn ($2.8bn) to just £100m, an official report said yesterday, Reuter reports from London.

The report comes as Britain is said to be sharply cutting back on troop strength in the South Atlantic islands, which it recaptured after a battle with invading Argentine forces in 1982.

Media reports, unconfirmed by the Defence Ministry in London, combat troops would be cut to about 200 men from almost 1,000. This figure did not include support troops.

A report by the powerful all-party parliamentary select committee on *defence said: "If it is considered* necessary to maintain a sizeable garrison in the South Atlantic, we believe that force levels should be determined by operational need rather than financial considerations.

"It would not be right to seek to defend the islands with resources insufficient to meet the actual or perceived threat," it said.

Defence experts said Britain had decided to cut back its troop strength – and as a result the annual cost – because work on a military complex at Mount Pleasant, with a runway capable of handling wide-bodied jets, was now finished.

This meant a rapid-reaction force could be flown in within a matter of hours at the first sign of any attack from Buenos Aires.

"The Government appears to have kept the islanders happy with visible commitment, while satisfying public opinion as to the annual costs in Britain," one parliamentary source said.

Democrats signal fight on judge

By Stewart Fleming, US Editor, in Washington

SENATOR Joseph Biden, chairman of the Senate judiciary committee, has signalled the Democratic Party's determination to resist President Ronald Reagan's nomination of Judge Robert Bork to the vacancy on the Supreme Court.

He said hearings on the nomination would not open until September 15 and added it was "highly unlikely" he would vote for the nominee.

SEC starts largest probe

THE US Securities and Exchange Commission has launched its largest ever investigation of the US municipal bond market, one that could ultimately involve $12bn in bond issues, according to a newspaper report, AP-DJ writes from Philadelphia.

The SEC is investigating about 60 tax-free municipal bond issues for possible securities fraud, the Philadelphia Inquirer reported, citing government and industry sources which it did not identify.

The bond issues, floated by municipalities to finance public works, apparently produced big profits for those who devised the deals but provided little money for construction, sources told the newspaper.

Ultimately, the case could involve as many as 90 bond issues underwritten by at least 10 investment-banking concerns.

The Inquirer said the probe's targets include at least 10 bond issues underwritten by Matthews and Wright group. It focuses on whether billions of dollars raised by selling bonds were used to make improper investment profits rather than to build the projects for which the bonds were intended.

Panama protest to go ahead

By Peter Ford in Panama City

OPPOSITION political and business leaders said yesterday they would defy a government ban on demonstrations and hold a mass rally this fatemoon

Mr Rodolfo Chiari de Leon, the Interiror Minister, meanwhile asked the armer forces to take "the necessary measures"

The stand off between military strongman General Manual Antonio Noriega and the movement demanding that he be ousted thus threatened to provoke violence at the demonstration.

WORLD TRADE NEWS

Saudis approve four high tech offset ventures

BY FINN BARRE IN RIYADH

PROVISIONAL approval has been granted for four high technology joint ventures in Saudi Arabia under the Kingdom's "peace shield" offset investment programme.

The four projects, which include an airframe maintenance facility, are connected with a $1.2bn contract to build a sophisticated air defence system for the Kingdom being implemented by a consortium led by Boeing of the US.

The consortium, which includes Westinghouse and ITT, has set up a special body, the Boeing Industrial Technology Group to handle the projects. The Saudi Government has its own committee comprising several ministers and officials to oversee the programme.

The Saudis have made clear their determination to recoup as much as possible from foreign military contracts in the form of investments within the Kingdom and technology transfer as part of their industrialisation effort.

Total investment under the Boeing offset programme will be approximately $593m, split half and half between Saudis and foreign companies.

The first four main projects approved in principle are for aircraft modification, overhaul, electronics and maintenance ventures to be located at Riyadh's King Khaled international airport.

Technology is to be supplied by a range of companies including Boeing and Westinghouse, and Dowty of the UK. Contracts and technology transfer agreements are still to be signed.

Other companies that have been involved in talks with the Saudis on aspects of the peace shield investment programme include Racal of the UK and Thomson CSF of France.

Progress on the Boeing offset programme is in marked contrast with efforts to induce British companies to invest in Saudi Arabia in connection with the Kingdom's purchase of 72 Tornado aircraft from British Aerospace.

These have so far made little headway, much to the irritation of Saudi officials. Unlike the American programme, in which offset was a condition for peace shield bids, the desire for a British offset programme was announced only when the Tornado deal was signed.

Japanese win $66m Egypt turnkey power project

BY TONY WALKER IN CAIRO

JAPANESE companies have won a $66m agreement to supply Egypt with a 60MW power station mounted on a barge that will supply electricity to the country's energy starved north-west corner.

Nissho Iwai and Mitsui Shipbuilding and Engineering have contracted to deliver the power station of two 30MW units by the end of 1989.

The contract, with the Egyptian *Electricity Authority*, provides for a full turnkey project, including towing, civil work, construction of on-land facilities and installation of the barge.

The thermal power station will supply electricity principally to Mersa Matruh, the main town in the north-west, 350 km west of Alexandria.

Meanwhile, Japan is awaiting a response from the Egyptian Government to its pledge to help finance three other power station projects.

Funds are being provided through the Overseas Economic *Co-operation Fund (OECF)*. Repayment terms are over 30 years with a 10 year grace period.

Steel plant deal for IRI

ITALIMPIANTI, an engineering company in Italy's state-controlled holding company Istituto per la Ricostruzione Industriale (IRI) yesterday signed a L250bn (£116m) contract to build a steel pipe plant in Venezuela, AP-DJ reports from Rome.

The agreement was signed by Mr Romano Prodi, IRI chairman and Mr Hector Hurtado, the Venezuelan Minister of State and chairman of the Venezuelan Investment Fund, a state holding company involved in construction.

The contract will be denominated in Deutsche Marks, and will be built in Puerto Ordaz. It will have an annual capacity of 180,000 tonnes and is scheduled to be completed by the end of 1989.

Italimpianti is currently building a steel pipe plant in the Soviet Union which when completed will be the biggest in the world-

Tokyo to tighten law on sensitive exports

JAPAN'S Minister of International Trade and Industry, Mr Hajime Tamura said yesterday he hopes to introduce parliamentary bills as soon as possible to revise and tighten laws to prevent exports of militarily sensitive goods and technology to communist-bloc countries, AP reports from Tokyo.

His intention was conveyed to Mr Yasuhiro Nakasone, the Prime Minister, when the two met in a briefing session on Trade Ministry efforts to strengthen existing export control systems. The meeting followed the recent discovery that a Toshiba subsidiary illegally exported high-tech milling machinery to the Soviet Union.

A ministry official who attended the briefing said Mr Tamura told Mr Nakasone that he wanted to introduce the bills at the earliest possible occasion.

The Ministry has been reviewing the country's foreign exchange control law, the export-trade control law and other related regulations since last week at Mr Nakasone's behest. The action is viewed as part of a government campaign aimed at easing widespread resentment *in the US Congress due to the* exports made by Toshiba Machine, a subsidiary owned *50 per cent by Toshiba.*

The US Government claims that Toshiba Machine's milling tools have made it possible for Moscow to make quieter submarine propellers that more easily escape detection.

Reuter adds from Tokyo: The US is making it harder for Toshiba to import American goods following illegal exports to the Soviet Union by Toshiba.

Toshiba said the company had had to obtain separate licences for each American product it imported since the end of June, when the US *Commerce Department failed* to extend a previous blanket import licence.

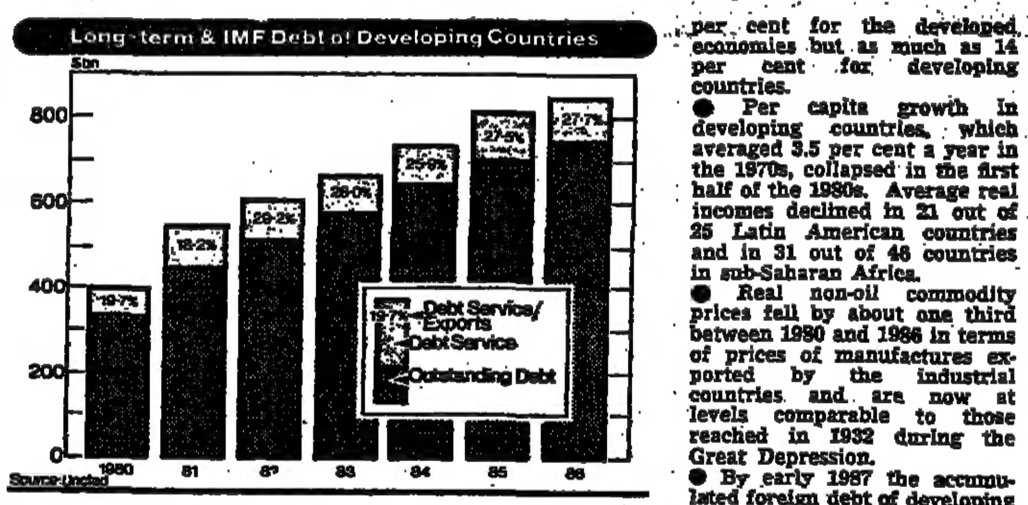
Karen Fossli adds from Oslo: First signs of US trade sanctions against Norway's troubled defence company, Kongsberg Vaapenfabrikk (KV), recently renamed KV the US Department of Commerce.

The US has temporarily withdrawn KV Defence's general import licence which previously allowed any item produced by the US to be imported by Kongsberg.

"Depending on the strategic *importance*, there will now be a clearance procedure on every item intended to be sold to Kongsberg," said the US embassy in Oslo.

William Dullforce analyses efforts to change the agenda on debt and commodity prices

West ignores Unctad at its own risk



THE THIRD WORLD is mounting a renewed challenge to the West's prevailing orthodoxies on international debt, trade and commodity prices. The developing countries' argument is that a fresh approach is crucial for their development; and that it must be incorporated into a global economic policy for reviving growth and creating jobs.

The platform is the seventh session in Geneva of the United Nations Conference on Trade and Development, an organisation which is politically suspect in Washington and whose operating record is to say the least unconvincing.

But developed nations would be well advised to take note. A dismissive reaction from the industrial powers could harden attitudes over debt repayment and blunt developing nations' readiness to co-operate in the Uruguay Round of the General Agreement on Tariffs and Trade.

While Unctad is not the most auspicious body in which to attempt such a change, it is the only major international economic organisation in which the developing countries can bring their weight to bear. The International Monetary Fund and the World Bank are dominated by the rich nations which supply the money.

Created in 1965, it was intended to serve as a forum for North-South economic dialogue and to promote international trade "as the primary instrument for economic development." In the eyes of conservative Western governments it *became a talking shop for* Third World demagoguery and an arena for North-South confrontation.

The US is particularly hostile. The Reagan Administration has tagged it as opposed to free-market thinking and fit for the dustbin of history. It was partly due to US pressure that Unctad's former secretary-general, Mr Gamani Corea of Sri Lanka, resigned.

Unctad's best known role has been in trying to promote developing countries' exports of commodities. In 1976 after the first oil price shock and with the accompanying take-off in commodity prices, the industrial consuming nations accepted an Integrated Programme for Commodities aimed at stabilising the incomes of commodity producers.

The record in the 1980s has been dismal. International Commodity Agreements, the most prominent covering rubber, coffee, cocoa and tin, turned out to be singularly ineffective in preventing the plunge of commodity prices.

A fundamental factor in Unctad's debility has been *its* custom of holding every four years mammoth and lengthy *conferences which generated* mountains of paper, streams of hot air and few practical results. The last conference in Belgrade in 1983 was a disaster.

But the conference which opened yesterday is "a different animal," according to one long-serving Third World diplomat.

Its duration has been trimmed to three weeks and the agenda limited to one general theme: "reviving multilateral cooperation for growth and development," there are only *four* items—resources for development, commodities, international trade and the prob*lems of the least developed* countries.

Most importantly, the developing countries themselves have adopted a more subtle approach. They were "steering clear of the temptation to get into an ideological debate" and were "looking for common interests" with the industrial world, one ambassador claimed.

The core of the Third World case, as framed by Unctad's economists, is that the West's persistence with deflationary policies and reliance *solely* on market forces are inadequate. Slack growth *is* delaying adjustments on both *sides* and eroding the world trade and payments systems, Unctad asserts.

Mr Kenneth Dadzie, its new secretary-general, has spelt out in his report to the confrence the effects of slow growth and the setback to development:

- Average annual shortfall in output over the period 1981-85 (compared with what output would have been, had 1973-80 trends continued) was some 3 per cent for the developed economies but as much as 14 per cent for developing countries.
- Per capita growth in developing countries, which averaged 3.5 per cent a year in the 1970s, collapsed in the first half of the 1980s. Average real incomes declined in 21 out of 25 Latin American countries and in 31 out of 46 countries in sub-Saharan Africa.
- Real non-oil commodity prices fell by about one third between 1980 and 1986 in terms of prices of manufactures exported by the industrial countries and are now at levels comparable to those reached in 1932 during the Great Depression.
- By early 1987 the accumulated foreign debt of developing countries had reached $850bn or roughly 40 per cent of their aggregate Gross Domestic Product. In relation to GDP negative net financial transfers from some Latin American countries are the highest on historical record, much higher than the reparations imposed on Germany after the First World War.

Despite recent attempts by industrial countries to step up co-operation, Unctad's economists charge, tensions in the world economy are mounting faster than policies are changing.

Hence, they argue, the need to sketch out at Unctad VII a *strategy* for enhancing growth and restoring the momentum of development. Their message is that the interactions between money, finance, debt, commodities and trade, which have been depressing growth, could work in a positive direction if interdependence is better managed.

In addition to seeking agreement on a debt strategy which takes development into account, they have other specific demands.

These include a new round of consultations between producing and consuming countries to restore meaning to commodity agreements and activation of the Common Fund for Commodities, designed seven years ago to help finance the agreements but still not ratified.

The response from the West may not be encouraging.

Refences to Unctad VII in the recent OECD ministers' declaration and in the Venice summit communique said the conference would "provide an opportunity to discuss with developing countries the major problems and policy issues in the global economy wit h a view to promoting common perceptions and effective policies." But the West does not envisage Unctad undertaking any new role on debt or trade.

The West will focus the debt issue on the problems of the poorest countries and reiterate willingness to *furnish* debt relief in Africa. Unctad VII might "refer general recommendations" *to the relevant* agencies such as the IMF and World Bank; but agreements to pursue new polices, or to set guidelines for the Paris Club go beyond the industrial countries' objectives.

On commodities, Western countries are unlikely to agree to more than intensification of Unctad's programme aimed at helping commodity-dependent countries to diversify output.

Thus, Western reactions can be expected to fall well below even the more modest expectations of the developing countries. Some Europeans, notably Mr Claude Cheysson, the *EC Commissioner for North*-South affairs, recognise a danger here and feel that the Community should fill the vacuum left by US indifference.

The Western powers could be making a mistake if they stifle the attempt to move Unctad away from confrontation and polemic and to instigate a real dialogue on global economic and development policies. There is no shortage of more extreme views.

Trade in global securities beset by barriers

BY PETER MONTAGNON, WORLD TRADE EDITOR

INTERNATIONAL trade in securities is beset by a range of restrictive barriers despite the much-vaunted globalisation of the market in recent years, according to a study by the Organisation for Economic Co-operation and Development.

The study, which looks at the securities market from the perspective of international efforts to liberalise trade in services, argues that in many cases the barriers are not intended to restrict freedoms but arise because of the incompatibility of regulatory systems in individual countries.

In particular some countries permit banks to engage in all kinds of financial activity, while others, such as the US, separate commercial banking and activities in the securities sector, it says.

"Finding the means to accommodate and resolve, where possible, the difficulties stemming from the conflicting institutional systems is expected to be a major concern to national regulatory authorities, to private self-regulatory organisations and to international organisations for the next few years."

Practitioners of the securities business are well aware of the restraints imposed on them by these differing systems, but the OECD study suggests that the nature of the debate could change with attempts to apply traditional free trade concepts to trade in services in the context of the current Uruguay Round of multilateral trade liberalisation talks.

For example, it says there is a conflict between the trade concept of national treatment, whereby all companies in a given country should be treated equally by regulators regardless of nationality of ownership, and reciprocal granting of rights to undertake specific types of activity.

One area where this has arisen is in bond underwriting which in some countries is considered a banking function and in others is forbidden to banks. Dutch, German and UK banks find themselves unable to engage in bond underwriting in Japan, while Japanese banks and securities houses have obtained licences.

Governments hesitate to apply reciprocity considerations because they realise that it would be generally desirable to avoid bilateral exchanges of exceptions and privileges, it says.

"Nevertheless, some countries have concluded that there are cases where equal treatment of foreign and domestic interests appear to be leading to unequal results and hence these countries endorse the selective use of reciprocity."

International Trade in Services: Securities, OECD Publications, 2 rue Andre Pascal, 75775 Paris Cedex 16.

Senate rejects Angola trade ban

THE US Senate yesterday rejected a move to bar US trade with Angola as a way to press for a settlement in the country's 12-year civil war and force withdrawal of Cuban troops from the Western African nations, Reuter reports.

If adopted, the embargo's main impact would have been to force American oil companies to cease operations in Angola. It would have barred imports of Angolan oil—about 3 per cent of American oil imports.

Proposed as a show of support for the UNITA (National Union for the Total Independence of Angola) guerrilla forces led by Mr Jonas Savimbi, the measure was defeated on a vote of 61 to 38.

Rothschild cleared by leak inquiry

By Peter Riddell, Political Editor

NO LEGAL action is to be taken against either Lord Rothschild or Mr Chapman Pincher, the journalist, over allegations that they had been involved in the leaking of secret information about the operations of MI5, the security service.

Sir Patrick Mayhew, the Attorney General, announced last night in a parliamentary written answer that after police investigations, "the director of public prosecutions has now decided that the investigation has not disclosed evidence justifying the bringing of proceedings against either Lord Rothschild or Mr Pincher." Sir Patrick said he agreed with the director's decision.

The allegation was that Lord Rothschild, a former MI5 officer, head of the Central Policy Review Staff and banker, had put Mr Peter Wright, a former MI5 officer, in touch with Mr Pincher to enable him to work on his book "Their Trade is Treachery."

This charge was made by Mr Wright last November during the Australian court case, in which the British Government sought to suppress his memoirs.

Last December, Mr Margaret Thatcher, Prime Minister, issued a public statement saying that no evidence had been found that Lord Rothschild had ever been involved as a Soviet spy.

Mr Robert Rhodes James, the Conservative MP for Cambridge, last night welcomed the announcement which he said would end a long period of deep distress to Lord Rothschild. He questioned why Lord Rothschild had had to endure six months of "vicious innuendo and denigration" in the House of Commons.

Similarly, Mr Pincher said the investigation was a waste of time and public money.

Kinnock gains support for wider franchise

BY PHILIP BASSETT, LABOUR EDITOR

LABOUR PARTY leaders now look certain to win support at the party conference in the autumn for the key constitutional change of widening the franchise on the selection of MPs.

This follows a vote in favour of the move yesterday by Labour's largest union, the Transport and General Workers' (TGWU).

The TGWU decision to back the extension to ordinary Labour Party members of voting rights for the selection and re-selection of Labour candidates and MPs will mean that the union's 1.25m block vote at the party conference will be cast in favour of the change on which Mr Neil Kinnock, the Labour leader, has insisted if Labour is to build a wider membership appeal necessary for the party to win at the next general election.

Neil Kinnock: seeking wider membership appeal

The voting at the TGWU's biennial delegate conference of 446 to 331 – a margin of 115 in favour of the principle of one man, one vote – was in line with what TGWU leaders had been predicting, but was wider than had been expected by the time the debate started after intensive lobbying against the move by Labour Party left-wingers.

A separate motion, in effect arguing to retain the present system under which candidates are selected by local Labour general committees, was defeated by 433 votes to 365 – a narrower majority of 68. Both votes mark a significant move to the right by Britain's main left-wing union.

The tumultuous, two-hour debate at the TWGU conference was at times heated, with those arguing against the proposals maintaining strongly that they would reduce both accountability in the party and the role of the trade unions, and those in favour insisting that they had to be supported if Labour was to stand any chance in future elections.

Mr Ron Todd, general secretary, said: "The principle of maintaining proper rights for trade unions as affiliated bodies with the commitments given by Neil Kinnock is not now in question.

"With this we can go forward to help build the sort of party we need if we are to gain success at the next general election. We owe it to our members, to our supporters and to the democratic principles which this union has pioneered and cherished over the years."

Cabinet clears way for MPs' 21.8% rise

By John Hunt

THE CABINET has given way to strong pressure from Conservative backbenchers and has decided not to oppose a pay rise of 21.8 per cent for MPs, increasing their annual salaries from £18,500 to £22,500 as from next January.

Mrs Margaret Thatcher, Prime Minister, was originally strongly opposed to such a large rise which is three to four times the present level of wage settlements, and five times the inflation rate.

She and some ministers feared the effect it would have on wage pressures, particularly in the public sector. But last night attempts were being made in Whitehall to play down the significance of the change of policy and to deny that there had been a capitulation by Mrs Thatcher.

She would, however, have preferred to have a phased increase for members in order to avoid the embarrassing publicity that such a rise will attract.

The majority of Conservative backbenchers and the opposition parties were vehemently opposed to such a move and the Government would have faced a rebellion and the strong possibility of defeat had it attempted to push it through.

The new system will mean that MPs pay will be indexed in line with inflation and increased each year without the necessity of a widely-publicised debate in the House of Commons.

The cost of the pay increase is £3m a year, taking into account superannuation and national insurance contributions.

Allowances of MPs to cover the cost of secretarial and research assistants are to be frozen until next year pending close scrutiny in line with recommendations made by the Review Body on Top Salaries.

Mobil wins legal tax fight over N Sea operations

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MOBIL NORTH SEA has won the final round of its legal battle to establish that expenditure incurred in its operations in the Beryl Field qualified under a provision reducing the company's liability to petroleum revenue tax (PRT).

Five Law Lords yesterday unanimously overturned decisions by the High Court and Court of Appeal, which had upheld the Inland Revenue's claim that part of the amount Mobil spent on a drilling platform did not qualify.

The Revenue had argued that the expenditure had not been incurred under a contract entered into before January 1, 1981, the cut-off date for tax-reducing supplements introduced by the 1981 Finance Act.

The Law Lords' ruling means that Mobil, which has a 50 per cent interest in the Beryl Field, will have to pay PRT at 70 per cent on only £28.2m instead of £32.8m for the six months covered by the appeal.

The tax-reducing supplements – in effect a percentage increase on the cost incurred – were introduced by the 1975 Oil Taxation Act to be added to the costs before a net cash flow was achieved.

The 1979 Finance (No 2) Act reduced the percentage from the original 75 to 35; the 1981 Finance Act removed the supplement but provided in section 111 (7) that "expenditure...incurred before January 1, 1983, in pursuance of a contract entered into before January 1, 1981" should not be disqualified from supplement.

The case concerned part of the £232m Mobil paid under a July, 1979, contract by which Bechtel Great Britain agreed to design and build Mobil a drilling platform.

The Revenue contended that the disputed sum did not qualify because it had been spent as a result of contracts made by Bechtel, as Mobil's agent, with other companies in April, May and June, 1981, after the cut-off date.

Allowing Mobil's appeal, Lord Templeman said that section 111(7) preserved supplement for expenditure to which an operator had been contractually committed before January 1, 1981, provided the expenditure was incurred before January 1, 1983.

By the Bechtel agreement Mobil had contracted to pay for the construction of the platform. It did not matter that part of the expenditure had been incurred under the agency contracts after the cut-off date. The whole sum had been preserved for supplement.

Miners to fight disciplinary code

BY OUR LABOUR STAFF

MINEWORKERS yesterday called for industrial action over British Coal's revised disciplinary code introduced in March, which is provoking mounting bitterness.

The Union's conference at Rothesay, west Scotland, unanimously supported a motion from the union's South Wales area which instructs the national executive committee to consult members on taking various forms of industrial action to force the corporation to withdraw the code.

The code gives the corporation the power to dismiss a miner for "unsuitable behaviour" outside work, even if the miner is found not guilty in a criminal court.

It can also take action to dismiss a miner over an incident even if no criminal charges are pressed.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1986							
1st qtr.	108.1	102.6	106	119.2	146.0	3,171	165.5
2nd qtr.	109.2	103.6	105	121.3	154.0	3,203	175.6
3rd qtr.	111.0	105.8	106	123.7	158.7	3,202	200.2
4th qtr.	110.8	107.2	112	126.5	184.2	3,141	213.0
October	110.9	106.7	108	125.0	166.5	3,160	212.2
November	111.2	107.4	111	127.2	183.9	3,145	215.2
December	110.4	107.7	115	126.7	224.9	3,119	210.0
1987							
1st qtr.	112.1	107.0	108	125.4	157.0	3,073	210.4
January	111.1	105.6	114	123.6	158.4	3,114	210.2
February	112.9	107.9	108	127.0	154.5	3,068	207.1
March	112.5	107.5	102	125.5	157.5	3,040	210.6
April	112.6	108.1		130.0	160.0	3,015	213.9
May				125.4	161.3	2,954	231.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.9	102.8	112.5	102.3	112.6	103.4	15.6
1986							
1st qtr.	102.2	101.5	115.4	101.5	110.4	102.8	14.2
2nd qtr.	104.7	100.6	115.4	102.1	110.1	103.5	19.8
3rd qtr.	105.5	101.4	117.4	103.4	107.8	103.3	18.9
4th qtr.	108.1	102.8	115.9	105.2	115.7	103.9	15.2
October	107.0	102.7	116.6	105.0	112.9	104.0	19.2
November	109.3	102.5	116.2	105.0	117.0	105.0	15.9
December	108.1	103.2	114.8	106.0	118.0	102.9	10.7
1987							
1st qtr.	106.4	103.7	118.6	105.5	116.0	102.8	17.1
January	106.0	103.0	117.2	105.0	107.8	102.0	12.7
February	106.9	103.7	119.8	106.0	124.0	103.0	19.2
March	106.2	104.2	118.5	106.0	116.0	103.0	20.2
April	107.1	104.9	118.8	107.0	117.9	104.0	19.2
May							16.4

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,890	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	− 94	+772	102.6	19.29
3rd qtr.	122.8	138.5	−2,873	−931	+646	103.1	20.14
4th qtr.	128.5	143.4	−2,682	−756	+846	100.8	21.97
October	127.0	139.6	−715	−100	+226	101.5	21.99
November	128.8	146.7	−1,080	−384	+354	100.9	22.01
December	131.6	143.9	−887	−272	+266	100.1	21.92
1987							
1st qtr.	131.6	133.2	−1,135	+665	+1,164	100.5	22.75
January	124.6	131.4	−517	+ 83	+383	100.2	21.95
February	138.4	128.0	−202	+398	+328	100.4	22.26
March	128.9	130.2	−417	+183	+454	100.8	27.04
April	130.8	137.1	−504	− 96	+419	102.4	29.81
May							34.68
June							34.36

FINANCIAL—Money supply M0, M1 and M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1986							
1st qtr.	4.1	21.4	18.3	+6,203	2,220	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	7,730	10.00
3rd qtr.	5.9	30.3	15.4	+6,986	168	8,222	10.00
4th qtr.	7.6	15.3	14.1	+10,531	2,814	8,178	11.00
October	6.3	19.1	14.5	+2,488	1,951	2,759	11.00
November	6.4	23.4	19.0	+3,847	160	2,635	11.00
December	10.1	0.6	9.1	+3,196	703	2,784	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,063	1,475	8,881	10.00
January	7.7	18.1	13.5	+1,698	456	2,695	11.00
February	0.1	10.9	17.8	+2,279	472	2,949	11.00
March	−2.5	33.8	20.4	+2,086	547	3,237	10.00
April	0.1	20.7	33.6	+2,004	727	3,080	9.50
May	5.5	37.3	32.7	+2,748	521	3,043	9.00
June							9.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.4	96.5	96.9	1,825	75.1
2nd qtr.	184.0	125.8	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,668	68.2
October	188.3	124.3	147.0	98.5	98.1	1,578	67.8
November	191.2	127.5	147.4	99.3	98.1	1,612	68.5
December	193.4	130.4	147.9	99.6	98.8	1,638	68.4
1987							
1st qtr	192.1	130.0	149.3	100.2	100.5	1,580	69.9
January	190.4	131.9	148.8	100.0	100.0	1,603	68.8
February	191.2	129.6	149.2	100.4	100.7	1,601	69.0
March	194.6	128.4	149.7	100.6	100.7	1,539	71.9
April		128.7	150.5	101.8	101.6	1,554	72.4
May		128.5	151.0	101.9	102.2	1,612	73.3
June						1,629	72.6

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

Andersen chief calls for accountancy integration

BY BARRY RILEY

THE BRITISH head of Arthur Andersen, the world's second largest accountancy firm, has called for fundamental changes in the UK accountancy professional structure and for government initiatives if the profession is to make progress through self-regulation.

Mr Don Hanson, managing partner of Arthur Andersen, said yesterday the Government should give the various accountancy bodies—there are six large institutes and several other minor bodies — a "relatively short period in which to integrate."

He was speaking in Cambridge at the annual conference of the largest accountancy body, the Institute of Chartered Accountants in England and Wales.

"The time is right to develop a more effective way of monitoring performance and competence within the profession," said Mr Hanson. He advocated a system of regular assessment of a firm's procedures and policies, linked to the granting or withdrawal of auditing licences.

The traditional emphasis by the accountancy bodies on supervision of individual members, rather than on the firms in which they practise, would have to change, Mr Hanson said.

The Government would have to recognise that it was unrealistic to apply common auditing standards to all companies regardless of size, he said. The auditing profession could be far less innovatory if the same standards had to be applied to all limited companies.

Mr Hanson urged enforced co-operation by the various accountancy bodies. "There are no substantive arguments for retention of the present system of uncoordinated action by each of the professional bodies," he said.

He criticised the Joint Disciplinary Scheme, saying: "In its efforts to be fair the system has become ponderous."

Discussing the Accounting Standards Committee, he said standards were increasingly a compromise between opposing views, and the time taken to resolve issues was unacceptable.

The ASC should be given constitutional status separate from the accounting bodies. "It cannot achieve its full potential while its is caught in the political and financial cross-currents surrounding the present accounting bodies," he said.

At the same conference Mr Michael Renshall, ASC chairman, welcomed the proposal made earlier this week by the accountancy bodies for a review of the process for setting standards.

Innovations in financial techniques were presenting complex questions to which there were no easy answers. Extra resources would be needed, he said.

The system of requiring accounting standards to be approved by six separate accountancy bodies was "ponderous and divisive," said Mr Renshall, a partner in Peat Marwick McLintock. The ASC should be empowered to issue standards in its own right.

Car production rises by 14%

BY JOHN GRIFFITHS

CAR PRODUCTION in the first *six months of this year was up* 14 per cent on the same period of 1986 and was the highest for a first half since 1979, according to provisional estimates from the Department of Trade and Industry.

Seasonally-adjusted car output in June was 103,000 units, compared with 86,000 units in the same month of last year. Output for the half was up 5½ per cent over the second period *of last year.*

The DTI attributed the "particularly strong" performance to both the continuing buoyancy of the new car market, in which UK-produced models have regained market share, and to a recovery in export production.

Statistics from the Society of Motor Manufacturers and Traders earlier this week indicated that the new car market *is heading for record sales for* the third consecutive year.

Significantly, the statistics showed that Ford, the market leader, sourced 72 per cent of its sales from UK plants, compared with 64 per cent in the same period last year. Vauxhall sourced 70 per cent from UK plants, compared with 53 per cent in last year's first half.

Labour MP urges rethink on electricity privatisation

By Maurice Samuelson

LABOUR SHOULD start some fresh thinking over the planned privatisation of the electricity industry, Mr Ted Rowlands, a party energy spokesman, said yesterday.

Labour would oppose privatisation, but there might be a case for reorganising the Central Electricity Generating Board into smaller units, more responsive to local conditions, he said.

"I do not find much of a future for the Labour Party in fondly hoping that we will some day be able to turn the gas and electricity juggernauts back to social ownership," Mr Rowlands, MP for Merthyr and Rhymney, told the annual conference of the Combined Heat and Power Association in Torquay.

"Post-war generations built up mighty integrated energy suppliers to match the mighty industrial manufacturing complexes which were energy greedy and energy hungry but those patterns have changed dramatically.

"We must therefore look for a diversification of energy supply to meet the diversification which has already occurred in our post-industrial society."

In particular, he favoured *plans to refurbish disused* power stations as combined heat and power (CHP) centres, such as that proposed by consortia of private and public interests in cities including Leicester and Sheffield.

At the same conference, Mr Malcolm Edwards, British Coal commercial director, said he foresaw a significant role for CHP in the Government's programme for refurbishing decayed inner cities. Under a CHP system, the heat normally wasted by power stations is sold through a distribution grid to nearby buildings.

Mr Edwards said Britain had a chance "to get on the CHP bus" which must not be missed.

Compact disc maker to axe 108 in S Wales

By Anthony Moreton, Welsh Correspondent

NIMBUS RECORDS, which claims to be Britain's biggest maker of compact discs with just under 5 per cent of the world market, is to lay off 108 workers in South Wales in an attempt to bring down costs following a rising tide of imports from Japan and South Korea.

Two plants are affected: 65 jobs are to go in Cwmbran, Gwent, and another 43 at the company's nearby Monmouth headquarters.

The company, which says that in recent years it has spent "many millions" on new capital investment, is to introduce more technology and new working practices to keep up with the Far Eastern imports.

Its CD production amounted to £1.7m in 1985, rose to £9.3m last year from some 20 mdiscs and is expected to top £20m this year.

Mr Stuart Garman, company secretary, said yesterday: "World demand is still rising very strongly and is expected to continue to do so well into the 1990s.

"If we are to stay in this market, and remain competitive in both Europe and the US in the face of Japanese and South Korean competition we have to organise ourselves efficiently. The action we have just taken is to ensure Nimbus remains competitive."

Clay Harris examines the changing face of outdoor poster advertising

A glimpse of past and future profit

OUTDOOR poster contractors have developed a number of gimmicks in recent years to enhance the visual interest and revenue potential of their sites. One is the hoarding which shows one poster then flips to display another.

Yesterday's belated decision by Lord Young to order a Monopolies and Mergers Commission inquiry into the six-month-old takeover of London & Continental Advertising Holdings by MAI, the financial group, bears some resemblance to these hoardings. It gives alternate glimpses of the past and future of the poster industry with its estimated annual gross revenue of nearly £200m, about 6 per cent of all advertising expenditure.

The Office of Fair Trading urged the investigation after MAI's disposals of sites to other contractors—the condition on which the OFT had based its provisional clearance—emerged in a different form than originally outlined.

Mr Clive Hollick, MAI managing director, maintains that the changes are "marginal" and do not, in any case, affect his company's market share, but the *OFT* appears determined in this case to stick to the letter of the agreement.

LEADING ROADSIDE POSTER CONTRACTORS	
Market share by revenue (%)	
Mills & Allen (MAI)	32
Arthur Maiden	22
More O'Ferrall/Adshel	21
National Solus Sites	8
Primesight	5

Source: industry estimates

The *investigation* will be the second involving the poster industry in eight years. British Posters, a consortium of leading contractors, was disbanded after an unfavourable monopolies commission report in 1981.

The MAI takeover of ailing LCAH, which traded in the poster business as London & Provincial, marked a turning point in the period of market fragmentation which followed the breakup of British Posters.

MAI, Arthur Maiden and More O'Farrell/Adshel now control three-quarters of the roadside market, which accounts for two-thirds of the outdoor total. Transport advertising—on stations, trains, buses and taxis—accounts for the rest.

Mr Hollick will urge the Monopolies Commission to look at the market as a whole. Although industry estimates give MAI less than a third of the narrowly defined roadside market after the takeover, some experts suggest that its share of certain key poster sizes is much higher.

The Council of Outdoor Specialists, whose members arrange the buying of about 80 per cent of UK poster space, estimates that MAI now has 50 per cent of the prime 48-sheet market (20 ft wide and 10 ft high). MAI has two-thirds or more of posters of this size in Northern Ireland, East Anglia and north-east England.

The COS has signalled its intention to oppose any bid by MAI for British Transport Advertising, the poster concession which British Rail has put up for sale. The short list for BTA is also believed to include More O'Ferrall, a management buy-out and a syndicate led by Mr Bob Burnett of Taximedia.

Outdoor specialists evolved to fill the marketing vacuum created by the break-up of British Posters. Not surprisingly, they are not the biggest fans of the emerging consolidation of capacity in a few hands.

Mr David Harrison of COS yesterday insisted, however, the group had not made any representations to the OFT about the MAI-LCAH takeover and subsequent partial disposals to Maiden and Primesight.

Mr Hollick says that the number of LCAH sites available to be sold was reduced by 7 per cent to 8 per cent by the exclusion of "chartered-in" sites owned by third parties. MAI and Maiden went through a laborious selection process to divide them up.

Three representatives from each side met for 15 days in a London hotel, to choose sites one at a time. At each session, they had to rely on memory of the list of 15,000 sites, as no notes or artificial aids were allowed in the room.

Primesight had agreed to buy 8,000 four-sheet hoardings (3 ft 4 in wide by 5 ft high) from MAI, but in the end took additional sites which Maiden did not want.

Mr Hollick insisted yesterday that rescue by MAI was the only viable way to prevent LCAH, the sick man of the industry, from affecting other players. With government permission to continue operating the merged business during the inquiry, MAI now hopes that the worst it will face is the requirement to sell or shuffle a few more sites.

Call to develop ocean reserves

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE WORLD market for extracting resources from the ocean could reach more than £160bn a year over the next 20 years, according to a series of studies published yesterday by the Trade and Industry Department.

The authors conclude that British companies could win a substantial share of this market, but only if research and development is co-ordinated through well-financed consortiums and a strong lead is given by the Government.

The surveys were commissioned by the DTI to identify opportunities in the largely unexploited fields of recovering deep-sea mineral reserves, exploiting offshore energy resources and exploring and mapping the sea bed.

A further report on mariculture — farming the sea — *is expected shortly.*

The surveys indicate that there is little market potential around the UK continental shelf, but there could be strong demand for British technological skills in the Pacific Basin, Indian Ocean and Australasia, where most recoverable resources are believed to be located.

The surveys reveal conflicting views between researchers on the likely development of the market, depending on the pace of advances in technology.

The most optimistic report, by Professor Chengi Kuo, of Strathclyde University, suggests that a consortium of 20 UK companies could take 5 per cent of the world market — but this would require an investment of £50m each.

Professor Kuo said the estimates for the total size of the market were probably conservative. He forecast that ocean exploitation could eventually provide 2½m jobs worldwide, and 700,000 in the UK.

A study by the Institute of Offshore Engineering at Heriot-Watt University calls for a "UK Ltd" approach. However, it warns: "The DTI must recognise the absolute need to provide a lead, from the front, into this presently rather diffuse market."

The study says investment in ocean exploitation is high risk, but offers strong long-term opportunities. It concludes that government aid is essential.

The studies were financed at a cost of £300,000 from the DTI Resources from the Sea programme, for which £8m over three years has been earmarked from the Support for Innovation budget.

Mr Mike Hoddinott, the assistant secretary responsible for the programme, said the Government recognised the pressure for more funding and would consider the reports carefully.

Maurice Samuelson writes: Meanwhile, geological survey work in Britain is being increasingly hampered by lack of funds and management, according to a separate report published jointly this week by the Advisory Board for the Research Councils and the Natural Environment Research Council.

Britain's geology, it stated, provides the basis for £40bn *of the nation's £800bn* worth of Gross Domestic Product. The study, headed by Sir Clifford Butler, made several recommendations for strengthening the British Geological Survey, such as enabling it to react quickly to meet the immediate needs of clients, including Government.

Urban renewal grants of £43m are approved

By Hazel Duffy

THE GOVERNMENT yesterday approved 14 inner area programmes, worth £43.75m, submitted by local authorities in London, the Midlands and the north.

Money is paid by the Department of the Environment under the Urban Programme direct to local authorities for a range of projects aimed at economic regeneration, environmental improvements and to deal with social problems in urban areas.

The latest tranche is part of the allocation of £272.3m by the Government for 1987-88. The money will be divided between 57 local authorities, which will receive 75 per cent grants towards approved projects.

Mr David Trippier, junior environment minister for inner cities and urban development, said: "These measures will help improve the inner cities and stimulate private sector investment so that local economies are strengthened and employment generated."

Subscription TV study urges new channels

BY RAYMOND SNODDY

TWO TELEVISION channels could be created for substantial proportions of the population in addition to the existing four national channels, a study commissioned by the Home Office argues.

Local or regional services using UHF transmitters could reach two-thirds of the population and a regional or possibly national television service could be created in the VHF band, according to the report on subscription television, published yesterday.

The report by CSP International, now part of consultants Booz Allen and Hamilton, says the public is prepared to pay more for premium television—new films, drama and major sporting events.

Providing the cost is not too high "the creation of a fifth, and possibly even a sixth channel for the carriage of pay programming would be the solution which creates the highest consumer benefits," the report argues.

The study was commissioned to examine the technical and economic feasibility of recommendations by the Peacock Committee that subscription should eventually replace the BBC licence fee.

The study, carried out by Dr Charles Jonscher, found that it was technically possible to scramble existing transmissions and make sure only viewers who had paid their subscriptions could receive the unscrambled service. Savings from reducing evasion of the licence fee would, however, be more than offset by the cost of the technology.

If BBC channels were scrambled and commercial television remained "free", BBC1 would raise only £250m from subscription revenue — half its present running costs. BBC 2 would also operate at a loss.

If all four UK television channels were scrambled, the financial performance of each would improve but still would not cover costs and up to half the potential viewers to each channel would effectively be excluded.

"All options involving subscription to existing channels are undesirable when evaluated from the standpoint of economic benefit-cost analysis," the report concludes.

There was no evidence to suggest that a pay channel showing the present mix of information and entertainment programmes could be viable although people wanted and were prepared to pay more for premium television.

Apart from additional channels, the study argues this demand could be met by new night-time pay services on BBC2 and Channel 4 or by the replacement of some parts of the BBC2 schedule by a subscription service.

Mr Douglas Hurd, Home Secretary, who has been personally keen on introducing subscription television in Britain in some form was cautious about the new study last night.

Speaking at the Silver Jubilee dinner of The English Speaking Union, Mr Hurd conceded that because it costs *so* much more to make a programme than distribute it "it can be argued that consumer welfare is maximised if the programme is then made as widely available as possible."

The Home Secretary added, however, that "subscription at the right time and place" might make the broadcasting system more responsive to consumer preferences.

Subscription Television—A Study for the Home Office. HMSO £9.50.

Revenue rapped over failed computer plan

BY HAZEL DUFFY

THE Inland Revenue was criticised yesterday for an aborted development in its computerisation programme that cost taxpayers £4.5m.

The Commons Public Accounts Committee said the cancellation in 1985 of a project to computerise tax collection was right, but it was a "disturbing and costly failure" that could have been avoided.

The project began in 1972 with the first computer-based collection systems but these were not completed until 1983. The project was cancelled two years later when an internal review recommended development of a single system to meet all collection requirements. However, the review came after previous mistakes had been repeated which should have been evident

The committee said this was "an expensive and avoidable way of learning elementary lessons about designing and controlling computer developments."

As well as development costs of £4.5m, the cancellation meant the Revenue lost the opportunity of saving an estimated £12m in staff costs.

On the introduction generally of information technology by the Revenue, the committee welcomed progress on computerising PAYE and Schedule D assessment "particularly in view of the scale and risks of the project and our experience of past failures in government computer projects." The project is expected to be completed on time and achieve the planned savings.

Recruitment of Information Technology staff into government departments has improved recently but the committee said those responsible for managing the Civil Service should keep the situation under review. If

With reference to the Revenue, concern was expressed that consultants were sometimes being used for non-specialist work which could be done in-house at a quarter of the cost.

14th Report, 1986-7, Inland Revenue Control of major developments in use of information technology. HMSO. £3.90.

Shops complex planned for Liverpool docks

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

PLANS for a retail complex in Liverpool's redundant city centre docks were unveiled yesterday as part of a £310m redevelopment. The joint developers are pressing the Department of the Environment for an early decision.

The scheme would have 2.25m sq ft under cover, including 450,000 sq ft of retail malls, 300,000 sq ft of offices, a 130,000 sq ft exhibition hall, a 135,000 sq ft museum, a 100,000 sq ft hotel and a 450,000 sq ft underground car park.

It is planned for the disused Princes and Waterloo Docks, next to the Royal Liver Building at Liverpool Pier Head. It would be a modern architectural counterbalance to the Albert Dock, which is being redeveloped on the opposite side of the Pier Head, mainly with government money disbursed by Merseyside Development Corporation.

Joint developers are Errill Holdings, a Nottinghamshire-based property company with a £20m development as its biggest to date, and Mersey Docks and Harbour Company. The scheme would also include a roll-on, roll-off berth for the port's Irish and Manx ferry traffic, with associated customs halls.

If it goes ahead, all the money will come from the private sector, making it one of the biggest such privately-funded ventures in the UK. The money is coming from three so far unnamed sources—a clearing bank, a merchant bank and an international bank. But with finance guranateed only if the scheme gets planning permission, the joint developers immediately pressed the Government and local authority for an early decision.

This is certain to create a dilemma for Mr Nicholas Ridley, Environment Secretary, about whether to instigate an inquiry into the scheme. He has already done so with several proposals for retail schemes around Manchester, several of which want to emulate the 300,000 sq ft Metrocentre at Gateshead, Tyne and Wear.

Mr Allen Kenney, chairman of Errill Holdings, said: "If we have to keep pressure on people about this, we will."

He wants to start work next spring to complete in time for the finish of the Tall Ships Race in the Mersey in 1992, which will be one of the main events to commemorate the 500th anniversary of Columbus's discovery of the New World.

Mr Harry Rimmer, leader of Liverpool City Council, said that with 1,500 construction jobs at stake and up to 5,000 likely to be generated eventually. "It would be a brave man who said no to planning permission." A critical factor would be the views of existing city centre stores about the effect on trading.

Mr Kenney thinks the scheme is different from other big retail complexes because it is in a city centre, not out of town. The latter type are being called in by the Government automatically for inquiry.

Cut-price travel deals backed

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

TRAVEL AGENTS were yesterday given the statutory right to offer special discounts to customers as part of their marketing strategy for foreign package holidays.

The Government laid an order before Parliament making it illegal for tour operators to try to prevent travel agents offering such discounts or other forms of promotion.

The move is in line with the recommendation of a Monopolies and Mergers Commission report last autumn which found that efforts by tour operators to prevent agents offering discounts was against the public interest.

However, the regulation means that any price cuts on package holidays must be borne by travel agents themselves. Tour operators can still set prices in their brochures but they cannot stop their agents from offering special reductions to customers.

In the early 1980s travel agents had sought to boost their market share by offering incentives such as free insurance, holiday goods vouchers, and cash rebates.

Tour operators felt such actions undermined their price and marketing strategy and they brought pressure on travel agents to stop offering inducements.

This led to the commission investigation which concluded that the operators should still be able to set brochure prices but competition would be increased if travel agents could compete for business by offering inducements. The new rules come into effect at the end of this month.

Meanwhile, the Civil Aviation Authority revealed yesterday that £1.3m was paid to customers of 15 failed air tour operators by the Air Travel Trust in the year to March 31.

In its first annual report, the trust, which replaced the Air Travel Reserve Fund Agency in February 1986, said the amounts held in trust to cover failed holiday companies stood at £22.8m last year.

Payments are made by the trust when a failed air tour operator's bond money—the amount lodged with the autority when an operating licence is granted — is exhausted in repatriating holidaymakers or reimbursing those who have lost money.

The trust is the second line of protection for holidaymakers who lose when tour operators collapse.

Its committee says in the report that "package holidaymakers are well protected at a low cost per person" and it does not see the need for significant changes in tour operators' bonding or air travel trust arrangements.

Expert systems attract growing business interest

BY ALAN CANE

MOST LARGE organisations in the UK are experimenting with "expert systems," a simple form of artificial intelligence, though they are still being used for comparatively undemanding business applications.

But the commercial secrecy which surrounds many of these developments is hindering the growth of expert systems.

These are some of the main conclusions of a study of expert systems in UK business carried out for the Alvey Directorate by Mr Alex d'Agapeyeff and Mr C. J. B. Hawkins.

Expert systems involve capturing the knowledge of experts in a given field and storing it in a computer memory, from where it can be retrieved in the form of apparently reasoned answers to questions. They are seen as one of the most important new aids to business.

The report, which was published yesterday, notes that although the pace of expert systems development is nicreasing, tt is constrained by a lack of management commitment, poor organisation and secrecy.

It says that existing projects are simple in form. "They should be treated more vigorously as a stepping stone towards the tackling of really significant applications."

Senior management must develop a better understanding of expert systems, the report argues, suggesting that priorities must be set within an overall strategy for information technology. "Every company beyond the smallest should at least consider their adoption," it says.

Unemployed a resource RIBA told

By Fiona Thompson

ORDINARY people should be involved in the process of rebuilding cities, Mr Rod Hackney, president of the Royal Institute of British Architects, said yesterday.

"With 3m unemployed, we must readjust our vision and see this as a huge, untapped resource," he told the International Housing Conference in Glasgow. "In reality they are of far greater value than expensive North Sea oil or difficult-to-extract British coal."

The housing problem could be eased by people building their own homes, he said.

"It should not be beyond the collective ingenuity of the building industry, financial institutions and the Government to come up with solutions that do tap into the resource of human endeavour among the unemployed."

The Government would spend about £8bn on benefits this year, he said. Many recipients lived in slums while their environment festered. "They are being paid to remain idle, to do nothing towards solving their immediate problems."

Some councils were paying £15,000 a year to keep families in temporary hotel accomodation but in just two years this could have paid for decent permanent homes.

About 1.4m houses in Britain were officially classified as slums, he said, and the country's housing problem was the worst in Europe.

Barclays to merge retail financial services sections

BY OUR FINANCIAL STAFF

BARCLAYS BANK will proceed with merging its two retail financial services sections after deciding that branch staff will act as "company representatives" under the Securities and Investments Board's "polarisation" rules.

The bank said it had initially planned to integrate Barclays Financial Services with Barclays Bank Trust Company in January this year. It postponed the merger because of doubts about the final shape of the SIB's requirements.

Barclays Financial Services has three sections: Barclays Life, a life assurance company with 700 direct salesmen; Barclays Unicorn, a unit trust group; and BISCO, the bank's insurance broking department. Barclays Bank Trust Company offers portfolio management and acts as a trustee.

A decision to merge the two was taken in principle in 1985, with the aim of providing a complete range of services through one main financial services subsidiary.

Barclays said last Friday it had opted to designate its branch staff as "company representatives," meaning that under the SIB's rules they can sell only the bank's in-house products.

Barclays pointed out however that branch staff would still be able to refer customers to BISCO, which will remain an independent intermediary.

Pru's estate agency 'biggest in Europe'

PRUDENTIAL Property Services, the estate agency arm of the Prudential Corporation, Britain's largest financial services organisation, has become the largest residential estate agency in Europe with 500 branches, according to Mr Joe Bradley, managing director.

He said the Pru was well on the way to its goal of 700 to 800 branches by the end of next year.

Security for costs appropriate in shipbuilding arbitration

K/S A/S BANI AND K/S A/S HAVBULK v KOREA SHIPBUILDING AND ENGINEERING CORPORATION

Court of Appeal (Lord Justice Dillon, Lord Justice Woolf and Lord Justice Bingham): July 7 1987

AN ORDER for security for costs is generally appropriate in expensive London maritime arbitration between foreign parties to contracts made and performed abroad, if the contract incorporates English law, the arbitration is of a type regularly heard in London, and there are doubts as to the claimant's ability to pay costs.

The Court of Appeal so held when allowing an appeal by Norwegian companies K/S A/S Bani and K/S A/S Havbulk (the buyers) from Mr Justice Hirst's refusal to grant their application for security for costs in arbitration claims against them brought by the Korean shipbuilders Korea Shipbuilding and Engineering Corporation. The appealed judgment was given in chambers on February 13 1987.

LORD JUSTICE BINGHAM said that by two shipbuilding contracts made in July 1983 between the builders and the buyers, the builders undertook to construct, equip and complete two Probo carriers, each of 37,000 tonnes dead weight.

The price of each vessel was $28.4m. Twelve per cent was to be paid at various stages before and during construction, and a fifth instalment of 8 per cent on delivery. The 80 per cent balance was to be paid over eight years following delivery of promissory notes secured by bankers' guarantee or letter of credit.

Disputes were to be resolved by arbitration in London, and the contract was to be governed by English law.

Delivery was due in August 1985. The date was passed. Sea trials were held, and on February 11 1986 the builders gave notice they intended to deliver on February 25.

The buyers gave notice of rejection on February 14, alleging that the vessels did not conform to the contracts. The builders disputed their right to reject, and tendered delivery. The buyers refused to accept delivery, to pay the instalments and to furnish promissory notes and guarantees. They cancelled the contracts.

As claimants in arbitration the builders sought specific performance and declarations that the vessels conformed with the contracts. The buyers denied that the vessels conformed, and claimed recovery of four instalments paid.

Costs incurred by both sides were very substantial. Discussions about security for costs began in summer 1986. The buyers sought security, making it clear they were willing to give counter - security. The builders refused.

The matter came before Mr Justice Hirst. The court had jurisdiction to make an order for security because the claimant builders were ordinarily resident out of the jurisdiction (see section 12(6)(a) of the Arbitration Act 1950 and RSC Order 23 rule 1(1)(a)).

The correct approach to the ordering of security in international arbitrations was the subject of the Court of Appeal decision in *Bank Mellat v Helliniki Techniki [1984] QB 291.*

In that case Lord Justice Kerr's approach was that exercise of the discretion depended on the circumstances. It was relevant as against an order that parties had agreed there should be no application for security. The court should be slow to order security where both parties were foreign, performance of the contract was abroad, and the arbitration had no more connection with the UK than agreement to arbitrate here. Agreement to arbitrate in the UK under English substantive law might well weigh in favour of an order for security, even if both parties were foreign and the contract had no connection with the UK.

Lord Justice Robert Goff appeared to be generally sympathetic towards orders for security where the arbitration was commercial of a type regularly and for many years held in London (particularly maritime or commodity), was under a standard English form of contract, was generally governed by English law, and had a close connection with English jurisdiction.

He was unsympathetic where the contract was construction or civil engineering, to early out work in a foreign country, and the arbitration clause provided for arbitration in a neutral forum, England being chosen for convenience or because it had been nominated by an independent body.

Lord Justice Waller agreed with Lord Justice Kerr. To the extent that there was any difference in the ratios of the two leading judgments, Lord Justice Kerr's must be followed.

Comparing the facts of the present case with those of *Bank Mellat*, there were the following similarities:

In both cases (1) all parties were foreign having no ordinary business conection with the UK; (2) the contracts were made abroad; (3) the contracts were performed abroad; (4) the agreed arbitration venue was London.

There were the following dissimilarities:

In the present case, unlike *Bank Mellat* (1) the proper law of the contract was agreed to be English; (2) the contracts were drafted with reference to English or common law concepts; (3) the parties did not incorporate a detailed code of procedural rules, other than ordinary English rules of procedure; (4) provision was made for default appointment of a third arbitrator by the President of the London Arbitrators' Association; (5) provision was made for service of English court proceedings; (6) the arbitration was of a kind regularly held in London for years past.

The question was whether Mr *Justice Hirst* correctly applied the principles to be extracted from *Bank Mellat*.

He said that both the present case and *Bank Mellat* involved large contracts and were clearly distinguished from run of the mill charterparty or commodity cases, which were the staple diet of London arbitrations; and that *Bank Mellat* was distinguishable because in the present case there was an express choice of English law.

But, he said, "This is a quintessential one-off international arbitration dispute. The parties chose to come to London for reasons of convenience . . ." He decided it was not an appropriate case for an award for security for costs.

That did not show a correct application of *Bank Mellat*.

(1) The judge failed to take account of the fact that this was a type of maritime arbitration which had regularly and for many years been conducted in London.

(2) He appeared to have treated the size of the arbitration as a reason for not granting security. That approach was not supported by authority. If anything, security was more necessary where costs were very high.

(3) Although acknowledging that incorporation of English law distinguished the case from *Bank Mellat* the judge did not appear to have treated those features as being of any weight. *Bank Mellat* treated them as weighty considerations showing the parties intended to embrace the English legal system.

4—There was no real evidence to support the conclusion that the parties chose to come to the UK for mere convenience.

For those reasons the judge's exercise of discretion in favour of the builders was vitiated by misdirection. The court must therefore exercise the discretion afresh.

Whether one applied Lord Justic Kerr's test, or that favoured by Lord Justice Robert Goff, dissimilarities between the two cases placed the present case very firmly in the category of arbitrations in which orders for security were in general appropriate.

There was no compelling argument against such an order. This was expensive and complex litigation. If the buyers were successful it was just that they should not be at risk for their costs.

There was doubt as to the builders' ability to meet an order for costs. Their financial position appeared to be precarious. It was not suggested that security could not be provided.

That fortified the view that it was an appropriate case for security.

The appeal was allowed and the matter remitted to the judge to determine the amount of security to be given by each party, if not agreed.

By Rachel Davies
Barrister

Life group to quiz single men over AIDS

By Eric Short

GUARDIAN ROYAL Exchange Assurance, a leading composite insurance group, is requiring almost all single men seeking life assurance to complete a separate questionnaire relating to AIDS.

The company, in common with all life companies, has a standard question in its normal proposal form on AIDS, following the recommendations of the Association of British Insurers.

This asks whether the proposer has consulted about or received treatment for AIDS or AIDS-related conditions, has had a blood test or has had or is considering taking counselling on AIDS.

Many life assurance underwriters do not consider such questions sufficient to identify potential AIDS groups. US life companies have found that many potential victims have sought life cover and not disclosed revelant information

Life reassurers in the UK feel that certain insurance intermediaries, particularly in London, are trying to get life cover for certain groups regarded as potential AIDS victims by bypassing the existing question in the proposal.

So GRE requires all single men between 18 and 65 seeking life cover of at least £40,000 to complete a supplementary questionnaire. This explains the risk of AIDS and how it affects life company underwriting and asks two questions:

- Does the person to be assured belong to any of the following AIDS high-risk groups—homosexual men, bisexual men, intravenous drug users, haemophiliacs and sexual partners of these groups?
- Has the person to be assured received or is intending to seek medical advice, counselling, treatment or a blood test in connection with AIDS?

The questionnaire emphasises that a member of a high-risk group will not automatically be refused life cover but the person to be assured would be sent for medical examination that would most likely result in cover being refused.

Mercantile and General Group, a leading life reassurer, together with other life reassurers, has for some weeks been asking its direct life company clients to send a similar questionnaire

Design changes add £90m to cost of frigate

BY LYNTON McLAIN

THE COST of the Type 23 frigate to be launched today from the Scotstoun yard of Yarrow Shipbuilders on the Clyde has risen from the £60m originally estimated before the Falklands' conflict to about £150m, after design changes to counter threats from fire, smoke and sea-skimming anti-ship missiles.

The Type 23 was designed originally as an anti-submarine frigate with no defensive weapons. After the Royal Navy's experience in the Falklands, where Sea Wolf missiles shot down aircraft and attacking missiles, all Type 23 frigates are to be fitted with a comprehensive anti-missile system, the new vertically launched Sea Wolf from British Aerospace. That added substantially to the cost of the current version of the ship.

Export prospects for the Type 23 are limited, although sale talks with Pakistan are at an advanced stage, Yarrow said.

To capitalise on the Type 23's development costs, Yarrow has designed a lighter, export derivative of the 3,500 tonne vessel, the so-called light patrol frigate of 2,600 tonnes.

The company developed this "because the world market for Royal Navy Type 23 frigates is limited," Mr Robert Easton, chairman and managing director of Yarrow Shipbuilders, part of GEC, said yesterday at a pre-launch briefing.

Versions of the Type 23 could be potential candidates for the North Atlantic Treaty Organisation frigate for the 1990s programme, although Yarrow admitted that the vessel was "at a stage before the Nato frigate programme."

Britain is not formally part of this study programme, which is led by West Germany, but the Type 23 "could be made into a very good Nato frigate," Yarrow said.

Up to 1,300 UK companies are involved in the production of equipment for the Type 23 programme. Yarrow is building three of the vessels. Swan Hunter on the Tyne is building one and the Ministry of Defence confirmed yesterday that it would invite tenders for a further four frigates in September, with the orders likely to be placed in the middle of next year.

MoD to spend £120m on Clyde submarine base

BY LYNTON McLAIN

THE Ministry of Defence confirmed yesterday that it is to spend £120m on port infrastructure work on the Clyde for Trident ballistic missile nuclear submarines.

The contract was let by the Property Services Agency, on behalf of the MoD, to Cementation, part of the Trafalgar House group. The work would provide 600 jobs in Scotland, the MoD said.

The contract is to provide a covered ship lift for raising Vanguard-class Trident submarines out of the water for maintenance; a finger jetty to provide two submarines berths and a generating station and utilities building to provide the Faslane base on the Clyde with power in the event of a failure of the national grid.

The ship lift is to be built at a cost of about £30m by NEI of Tyneside. The contract is not yet signed but is expected to provide work for Clarke Chapman, an NEI company at Gateshead.

The ship lift and finger jetty will be built on 1,000 steel piles to be sunk into the loch.

Earlier contracts worth £135m have already been let and more are to follow for the Trident nuclear missile armament depot and explosives handling jetty at Coulport on the Clyde.

At its peak, the programme is expected to create 2,500 jobs in the west of Scotland.

At Rosyth, work is under way on the design of a refit facility for refitting the Vanguard class of Trident submarines.

Education authorities oust chief negotiator

By David Brindle

LOCAL EDUCATION authority leaders in England and Wales yesterday deposed Mr John Pearman, their leader in negotiations with the Government and in the fruitless attempts last year to reach a settlement of the teachers' pay dispute.

He was replaced as chairman of the education committee of the dominant Association of Metropolitan Authorities by Mr Neil Fletcher, a fast-rising left-winger who was elected leader of the Inner London Education Authority in similar circumstances two months ago.

Mr Pearman is believed to have been ousted by a vote of 19-7 within the Labour group which has a clear majority on the AMA committee. He will automatically lose his position as leader of the local authorities as a whole within the schools sector.

Although he is to the right of Mr Fletcher, the move is thought to have been motivated not by politics but by criticism of leadership style. Other committee members are said to have felt Mr Pearman had adopted too individual an approach.

Mr Pearman is leader of Wakefield city council and is a commissioner on the Manpower Services Commission. He had been AMA education chairman since early last year.

Mr Fletcher, a 43-year-old education officer at Nalgo, the white-collar local government union, was already the local authorities' leader in the further and higher education sector. He has been shaking off a hard-left reputation and developing a name as a tough negotiator.

The Labour majority of education authorities is likely to ensure he duly becomes leader and spokesman for all the authorities in their representations to the Government over its planned education reforms.

Terry Dodsworth examines mounting criticism of a telephone company

BT getting its lines badly crossed

THE TIMING must have been unintentional but British Telecom's report and accounts for its last financial year could hardly have been published on a day when they were more likely to catch the eye.

The corporation has just suffered a bad couple of weeks, hit by perhaps the worst spell of public criticism since the heady days of privatisation.

It has been lambasted on the one side by the Office of Telecommunications, the industry's regulatory watchdog, and on the other by National Consumer Council. Critics have cited its record on repairing faults and its prices and delays in installing business lines.

Yesterday, its main union joined the fray, declaring that customers were right to complain about prices and "continuing declining standards."

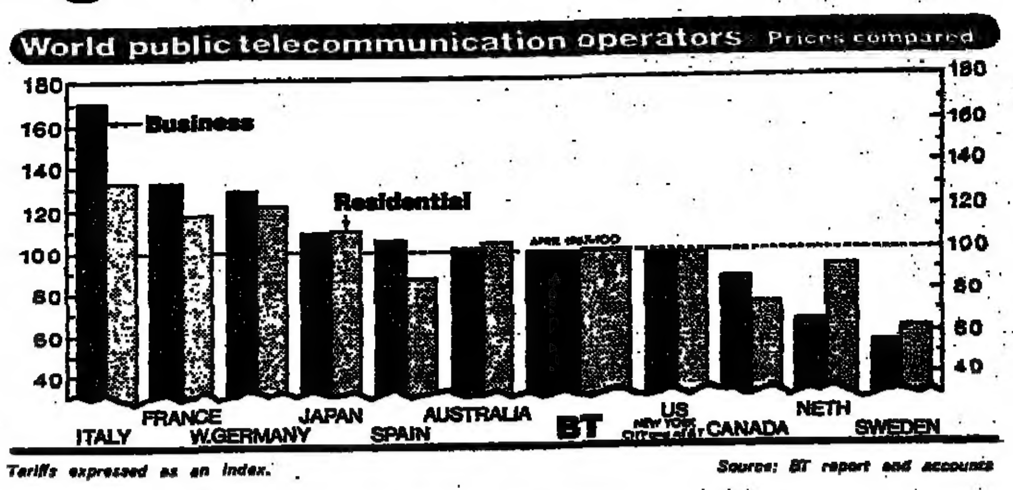
Just a couple of days ago, BT showed it was willing to eat at least some humble pie in the face of this onslaught.

At a Financial Times conference aimed specifically at the business market, Mr Paul Reevy, director of sales, said the company was not satisfying its business customers.

BT had particularly fallen behind in London because of a combination of bad weather, extraordinarily high demand and its engineers' strike, he said.

However, a similar note of contrition was not easy to find in yesterday's report. Indeed, the news release accompanying the accounts was headed: "A year of notable successes." And Sir George Jefferson, BT's chairman, said that although the company knew it had some problems, "these should not be allowed to hide the very real achievements of 1986-87."

He listed several developments, including 2.5m more lines in service since privatisation, a 50 per cent increase in City demand for private circuits, £8m spent on modernising and



Tariffs expressed as an index.

Source: BT report and accounts

expanding the network and more than half the £160m payphone modernisation programme completed.

These figures are clearly statements of fact about the group's performance but the NCC survey, conducted by the MORI polling group among 1884 adults in early March, shows a very different perception of BT among the public.

More than 50 per cent of consumers, it says, believe that BT prices are unreasonable, compared with 23 per cent for gas and 35 per cent for electricity. The company's record on failed or unsatisfactory calls is reckoned to have shown no improvement since 1984.

So what is going on? Is BT in danger of replacing British Rail as everyone's favourite Aunt Sally? Why is there this large, and seemingly growing, discrepancy between the company's claims about its performance and the public perception of the quality of its services?

Professor Bryan Carsberg, director general of Oftel, believes that much of the problem lies in the question of perceptions.

He has had to steer a cautious course in the past few days, since he is under attack himself from the NCC over his dual role in regulating the industry and dealing with complaints about it.

But he has warned against putting too much weight on a report like the NCC's which deals, he says, with people's views rather than the facts.

Nevertheless, these attitudes are real enough for the people who hold them, and they seemed to have been hardened by several events in recent months. Among these are:

- The explosion of demand in the City, which, according to Mr Reevey, ran out of control after Christmas. Although BT claims to have planned meticulously for the Big Bang, its forecasts fell well short, leaving many dissatisfied customers in a sector of the community which is not slow to complain.
- Teething problems in the installation of its new digital System X exchanges, which has left BT dangerously short of capacity in some areas. Here again, the company has shot itself in the foot by allowing these difficulties to emerge in residential areas around the City of London populated by articulate and sometimes influential critics.
- The engineers' strike in February also set the company back on its installation programme.
- Since privatisation, the company has considerably raised its profile and the expectations of the public in what it will deliver. Indeed, it is these increased expectations which may have become the biggest problem. BT now finds itself struggling to balance its radical modernisation programme against the City's demands for improved profits and the humble customer's for a telephone that works.

The public has been taught by BT's publicity and the hype about privatisation to demand more than BT can for the moment, apparently, easily deliver.

The corporation must now live up to its claims, and a government which is as committed as the present one to the cause of privatisation must be anxious to see that it succeeds.

London property deals agreed

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

PROPERTY COMPANIES and financial institutions yesterday committed more than £70m to secure investments in the West End and City of London.

Dares Estates, in a joint company with Shaftesbury, announced it had signed a £22.5m contract to buy the old Crown Agents building near the Houses of Parliament and overlooking the Thames and will spend at least £20m on redeveloping it as offices behind the existing 19th century facade.

ICI Pension Fund said it was taking over from Midland Bank Pension Trust as developer of a office building on Moorgate., close to the Bank of England, where it would spend some £29.4m.

Both tranactions are unusual, the first because another company, Raleigh Enterprises of Los Angeles had won planning permission to turn the Crown Agents building into a hotel, but changed its mind and pulled out.

The second because it is rare for a development to change hands when the contracting work has only just begun.

Mr Brian Tomlinson, a Dares director, said the decision to keep the Crown Agents building as offices "would please all in the immediate vicinity." The plan to turn the building into a hotel had been approved by the Environment Department, but opposed by Westminster council.

Mr Paul Williams of King and Co, which acted for ICI Pension Fund, said it was most unusual for the fund to act as a direct developer but it had done so to obtain a City investment. The Moorgate building will be occupied by Lloyds Bank on completion in August 1988.

The sums involved in both deals underline the rapid increase in London property prices, Raleigh is believed to be receiving nearly double the price it paid for the Crown Agents building two years ago.

Mr John Herren of Midland Montagu Asset Management, which manages the Midland Bank Pension Trust, said the trust had paid £12.3m for the Moorgate building in 1983. It received planning permission for redevelopment last year.

Dares and Shaftesbury should receive a rent of more than £30 a square foot after the redevelopment of the Crown Agents building. Lloyds will be paying £45 per sq ft for the upper floors of the seven-storey Moorgate building and £50 per sq ft for the ground floor.

Pet food sales rise to £766m

By Alice Rawsthorn

THE PICTURE of Britons as a people lavishing love, attention—and expensive pet foods—on their dogs and cats is borne out by a report into the pet food market which shows that sales rose to a record £766m last year.

There are 10m dogs and cats in Britain, providing a lucrative market for pet food producers, according to a study by Marketpower, the market analysis company.

Dogs gobbled up £309.2m of canned food last year. Pedigree Pet Foods dominated the market, claiming 50 per cent of sales for brands such as Pal, Pedigree Chum and Mr Dog. Spillers dominated the £92.7m dog buscuits and meal sector with a 65 per cent share for products such as Winalot and Shapes. Semi-moist dog food mustered sales of £16.1m.

Cats tucked away £323.6m of canned food. Pedigree also swamped this market, with 59.5 per cent of sales for its brands including Whiskas and Katkins. The dry and semi-moist cat food markets were worth £21.6m and £2.8m respectively.

Pet owners are increasingly inclined to indulge their cats and dogs with expensive products. Sales of both canned dog and cat foods were boosted by a preference for chunky meat in jelly rather than the traditional paste consistencies.

Pedigree and Spillers continued to dominate the market, collectively claiming sales of £572m, almost 75 per cent of the whole. Own-label products were restricted to just 11 per cent of sales. The penetration of own-label varies from product to product: ranging from 20 per cent of dog biscuits and meal to less than four per cent of semi-moist cat food.

Not only is the dog and cat population in Britain expected to continue to grow, but Marketpower anticipates annual revenue growth of 8 per cent until 1991.

The Pet Food Report. Marketpower, 84 Uxbridge Road, London W13 8RA. £85.

Three boroughs agree on London strategic road link

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THREE LONDON boroughs have reached preliminary agreement on an important link road, in one of the first strategic highways agreements since the abolition of the Greater London Council.

The agreement is seen by the road haulage lobby as the first step towards a south London orbital route which could ease pressure on the congested A205 south circular.

The road would run for four miles from the A23 near Croydon to the A217 near Mitcham, where it would link with two other schemes planned by Merton — the Church Road extension and the A24 relief road.

The preliminary proposal for a 10-metre-wide single carriageway is thought unlikely to provoke much local opposition. The scheme is at an early stage, however, and has still to be approved by councillors.

The three boroughs would expect to receive the normal 50 per cent funding for a new road from the Transport Department. Further financing could be available if the road could be shown to have a strategic value.

Movement for London, a highways pressure group supported by the AA and road haulage organisations, said the proposal could prove the beginning of one of the most important highways developments in south London since World War Two.

Mr Jeremy Hawksley, secretary of MFL, said the road could form part of a South London Orbital Road from the A2 near Falconwood in south-east London to the A4 near Heathrow Airport, part of which would have to be constructed in a cut-and-cover tunnel.

Multi-screen cinema to be built in Glasgow

By Raymond Snoddy

AN £8.5m multi-screen cinema is to be built in Glasgow by the Maybox Group, the second largest theatre group in London's West End.

The 2,600-seat project, the second multiplex by Maybox, will be built on the historic Apollo Theatre site, formerly Green's playhouse, in central Glasgow.

The first Maybox multiplex, with 10 screens and 2,100 seats, opens in Slough, Berkshire, in November.

The Glasgow project reflects the growing interest in multi-screen complexes.

Interest has been stimulated by the performance of Britain's first multiplex at Milton Keynes, Buckinghamshire. This was opened by AMC in a joint venture with Bass in November, 1985.

Ford tops farm tractor league

BY NICK GARNETT

FORD New Holland has regained sales leadership in the fiercely competitive agricultural tractor market, taking a 25 per cent share for the first six months of the year.

Ford was market leader in 1986 but during the first three months of this year was pushed into second place by Case IH. Case took 22.4 per cent of the market during the past six months.

Massey-Ferguson's share of the market has continued to shrink, according to figures from the Agricultural Engineers Association.

Massey, part of the Varity Corporation, took 16.6 per cent of sales in the first six months into third third place. For the whole of 1986, Massey was second in the league table with 20.1 per cent of the market.

Behind Massey so far this year comes John Deere (13.7 per cent) and Deutz (3.9 per cent) followed by Renault, Fiat and Sami. Sales of tractors made by Zetor of Czechoslovakia are not included but the association believes Zetor probably sold more units than Deutz.

Several factors appear to be hitting Massey sales. Its new and technologically-advanced but relatively high-cost 3000 series tractors have yet to fully establish themselves.

Massey also decided last year to stop heavy discounting. The company said yesterday: "We were not prepared to go in for this high level of discounting because we already offer an excellent value for money package."

At a time when other companies have continued to discount this appears to have had an adverse impact on Massey sales

A number of changes in marketing personnel have also been made and this might have unsettled some customers, though Massey denies this.

The recent dispute at the company's large Banner Lane factory in Coventry would not have affected sales in the first half year.

That dispute, however, appears to have sparked more rumours in the industry that Massey might be considering the closure of its UK production base which exports 90 per cent of its output.

Mr Tony Moon, general commercial manager for manufacturing operations in the UK denied that. "Coventry is vital as a unit to the group," he said.

Massey has two other production sites in Europe, at Beauvais in France and Fabbrico in Italy and the company has not denied that, given the weak state of world demand for tractors, three plants are too many.

It has spent a lot of money recently, however, reorganising and retooling at Coventry

The French site manufactures the 3000 and 3600 series tractors of 75 hp to 160 hp, while Coventry produces the 300 series of 40 hp to 100 hp tractors.

Whitbread to spend £20m in Scotland

WHITBREAD is to invest more than £20m over the next four years in building its restaurant activities in Scotland.

It intends to open up to 20 Beefeater restaurants in Scotland by 1990. It will also increase the number of Thresher off-licences and Pizza Hut outlets, which it owns jointly with PepsiCo.

THE PROPERTY MARKET By PAUL CHEESERIGHT

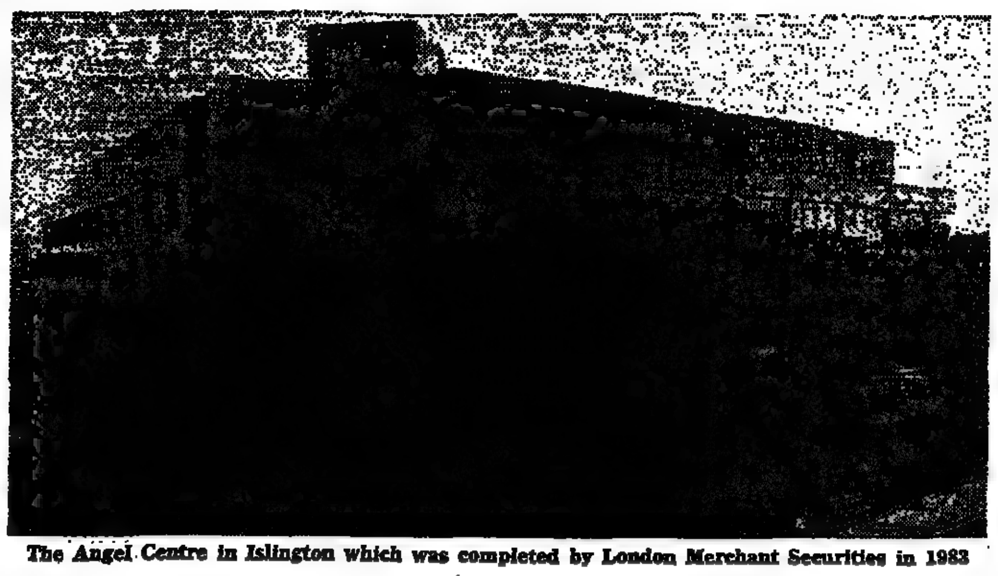
London's shrewd innovators

Ask a property man how to make money and the reply will probably come back, "Innovate." In essence, this response has two meanings. First, it suggests doing something before the rest of the pack follows; or finding an area where the sites are cheap now but will become expensive later.

Second, it means finding an angle, a different way of exploiting the trend before the mass of developers have realised its possibilities.

Those who had the courage to invest early in London Docklands, for example, have seen the value of their investments soar. And those who stopped leasing industrial property over 25 years and were prepared instead to accept shorter term rentals, also saw their yields rise.

Here then are two cases of innovation involving companies of different generations. One, London Merchant Securities, with a property owning and developing history going back to the 1940s, had the wealth and patience to hold on to land bought in anticipation of a spread in London's commercial activity. The other, Industrial Ownership, was recently established on the back of an idea to exploit ownership and leasing trends in industrial property.



The Angel Centre in Islington which was completed by London Merchant Securities in 1983

LORD RAYNE, 70 next birthday, has been a property man for 40 years—the same generation as Lord Samuel of Land Securities, as Arnold Lee, formerly of Imry. He was buying sites before John Sims of Industrial Ownership was born.

But for some years he has been one of the forgotten men. London Merchant Securities, his company, was mainly interested in property, with oil, engineering and leisure sidelines. But now the diversifications are in other quoted companies and LMS has started to stretch its property limbs.

"Max Rayne is a trend setter," says Wally Millsom, one of the LMS directors. "He's been prepared to develop in areas which are not fashionable." As examples, he cites Eastbourne Terrace by Paddington station and the districts *north of Oxford Street*, both in the West End of London, and the area around the Angel, Islington—*five minutes* north of the Bank of England.

These are all areas where younger developers have started buying, pushing up land values.

LMS should be picking the fruits of its patience. It has cheap land on its books which can now be developed or redeveloped. The latest formal valuation of its UK property assets is £225m with an historic cost of £31m, but that is 15 months out of date in—at least for central London—a soaring market.

In its 1986-87 first half, to last September, LMS had net rental income of £7.4m, or £1.1m more than in the comparable half of the previous year. And that rental income should increase.

Just opposite their new Angel Centre in Islington, LMS have started work on a new office block with 23,000 sq ft of space which has been pre-let to Aetna Life Insurance. A City building in Farringdon Street, built by Lord Rayne 30 years ago has just been modernised and let to the Government.

That development though will be based on the company's own assets, not only in London but also just north of Glasgow where it owns 11,000 acres.

It is not trying to compete with developers seen as more glamorous by the market. Mr Millsom quotes Lord Rayne as saying if something only works on a trading basis, it's marginal. "If it's worth doing, it's worth holding," he said.

But that is not to say that LMS should not take a stake in a developer if it could obtain it cheaply enough. And the company will buy assets, especially in the retail sector. "We would like to buy more shops but we're not prepared to compete with institutions to get a yield of 3.5 per cent," commented Mr Millsom.

It has just bought a £9m portfolio producing an initial yield of more than 9 per cent with rent reviews starting next year.

Taking big profits from the institutions

JOHN SIMS spotted two things. He noted that the property investing institutions had lost some of their enthusiasm for industrial estates and he saw that there is a tendency for smaller companies to buy their premises if they can.

Industrial Ownership is the company this 34-year-old entrepreneur set up to bring the two together. "I'm doing for industrial tenants what Margaret Thatcher has been doing for council tenants," he says.

The mechanics work like this. An industrial estate has a value of, say, £25 a square foot as a whole. But an individual set of premises may be worth £29 a square foot to a sitting tenant who wants to buy it. So, buy the whole estate at £25, sell the individual units at £29 or what the market will bear, and hold on to those which cannot be sold for a high yielding investment.

For the institutions the value of the estates is determined by the yield they offer, but they also have a freehold vacant possession value. Realising that value, however, is not the institutional style.

Mr Sims makes the point that the institutional owners "wouldn't court an approach by a single tenant. They don't want the mess. They will only sell to the tenants if 100 per cent want to be owners."

So he sees Industrial Ownership as both a clearing house and a growing investment holding company of high-income modern property, where initial yields are 12-13 per cent.

He is interested in the properties built in the 1970s which are now seen as secondary. Grimley, his advisers, estimate there is £1bn worth of this in the country. The Investment Property Databank, in its latest analysis of institutional property holdings, said that 44 per cent of their industrial portfolio was constructed in the 1970s.

> "I'm doing for industrial tenants what Mrs Thatcher has been doing for council tenants"

Since 1980 though the proportion of industrial property in the average institutional portfolio has fallen from 18 per cent to 12.8 per cent.

Today he will be signing the contracts for a purchase in south London. This follows purchases of estates over the last 18 months in north west London from Allied Dunbar, in Southall from Barratts, in Peterborough from Abbey Life and in Southend from the East Midlands Local Authorities Pension Fund.

Mr Sims finds the estates and arranges all the finance but works in a running joint venture with Bernard Sunley, the contractors. That association gives him extra stability in arranging finance.

Financing comes from banks—often Belgian, Danish and Irish—which can see the loans turning over quickly as the estates are broken up for sale. "I've found the foreign banks are sympathetic to this sort of lending," says Mr Sims.

To give a certain symmetry to the whole proceedings the institution selling the estates have the opportunity to offer mortgages to the tenants wanting to buy the units that have been sold to Industrial Ownership.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
10	11	12	13	14	15	16

Exhibitions

PARIS

French Masters of the 19th and 20th century: From Toulouse-Lautrec's Moulin de la Galette to a rare Gauguin with a landscape of Brittany seen through a luxuriant prism of colours; from a powerful flower composition by Nicolas de Stael to Cezanne's protrait of Madame Cezanne, from a pastel coloured Picasso still life to the most frequently reproduced Degas dancer, the traditional spring exhibition at the Schmitt Gallery can boast not only an exceptionally long list of great names of the period it covers but exceptional quality as well. Galerie Schmit, 396 Rue Saint-Honoré (42603636). Closed Sundays and lunch times. Ends July 18.

Medieval Art in Paris: The Abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on the blackened ruins of roman baths. Now a museum, it houses medieval works of art: goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the *Unicorn mille fleurs tapestries* – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painleve. Metro Odeon. Closed Tuesdays and lunchtimes (432 56200).

WEST GERMANY

Stuttgart. Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

Munich *Lehnbachhaus*: A retrospective by August Macke (1887–1914). In honour of the 100th anniversary of his birthday, Munich is displaying 138 paintings, 89 watercolours and 161 drawings. This will be the last stop of this touring exhibition. Born in Meschede, Macke studied in a new art form "Rheinische Expressionisten," before the First World War. In the spring of 1914 he made with Paul Klee and Louis Moillet his journey to Tunis, which became a landmark in art history. In the same year he was sent to the front in France, where he died, aged 27. Ends July 26.

Baden-Baden, Kunsthalle Lichtentaler Allee 8a: Henri de Toulouse-Lautrec. This exhibition displays graphic works from 1864 to 1901 with more than 360 posters and drawings (Ends Aug 30).

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

Burlington House, Picadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,300 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkishness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

ITALY

Venice: Ca Pesaro: American Art in the 60s from the Ludwig Museum in Cologne: Works by 25 artists, from Liechtenstein to Rauschenberg, Oldenburg, Rosenquist, Warhol, Lewitt, Dine, Stella, Noland and Paolazzi. Ends Aug 2.

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empire style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

SPAIN

Madrid, Cy Twombly, American artist living in Rome since 1957 exhibits his Conjuntio Oppositorium: 43 paintings on cloth, 68 on canvas and 20 sculptures dated 1952-86. Palacio de Velazquez and Palacio de Cristal at the Retiro Park. Ends July 30.

Madrid, Fernando Botero, Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

TOKYO

Kandinsky: 100 works on loan from collections at museums in Munich, Paris, Moscow and New York. National Museum of Modern Art, Kitanomaru, near Takebashi Station. Ends Aug 9. Closed Mondays.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 35 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

IBM Gallery: 98 paintings of pre-modern Viennese art from the second half of the nineteenth century includes works by Klimt, Romako and Makart; and 120 drawings show proposed and actual Washington government buildings. Ends July 11.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

WASHINGTON

National Gallery: 61 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

Music

ITALY

Rome: Villa Medici: Piazza Trinita' dei Monti 1: *L'Orchestre de Paris* conducted by Pierre Boulez. Bartok, Boulez and Ravel (Thur). (6544601).

WASHINGTON

Wolf Trap: Boston Pops conducted by John Williams. Mixed programme (Tue). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: Kronos Quartet. Sculthorpe, Lutoslawsk, Hassell, Riley (Mon); Alfred Brendel piano recital. All-Schubert programme (Tue, Thur). Highland Park (728 4642).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Emerson String Quartet, Jean-Pierre Rampal flute, Sharon Isbin guitar. Mozart, Haydn, Beethoven (Mon); Festival Orchestra Gerard Schwarz conducting, Alexander Toradze piano, Frank Peter Zimmermann violin. Mendelssohn, Mozart, Beethoven (Tue, Wed); Ravinia Institute Players. Mozart, Beethoven, Schubert, Villa Lobos, Liszt (Thur). Lincoln Center (887 1800).

Tanglewood: Vermeer String Quartet. Beethoven, Ligeti, Mendelssohn, Janacek (Thur). Lenox, Mass (413 637 1666).

LONDON

Robert Schumann Trio: Mozart, Jean Francaix, Schubert and Brahms. Middle Temple Hall, Middle Temple Lane, EC4 (Mon) (236 2801).

Israel Piano Trio: Haydn, Ravel and Brahms. Stationers' Hall, Stationers' Hall Court, EC4 (Tue). (236 2801).

Hägen Quartet of Salzburg: Haydn, Janacek and Schubert. Fishmongers' Hall, London Bridge, EC4 (Wed). (236 2801).

Alberni Quartet: Haydn, Mozart and Brahms. Drapers' Hall, Throgmorton Street, EC2 (Thur). (236 2801).

Theatre

LONDON

Antony and Cleopatra (Olivier): *Peter Hall's best production for the National Theatre he leaves in 1988* brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NEW YORK

Fences (*46th Street*): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's mu-

Continued on Page 13

Public Notice

JAMES BEATTIE PLC

NOTICE IS HEREBY GIVEN that the 6% Preference Share TRANSFER BOOKS of the Company will be closed from the 24th to the 31st July, 1987, both dates inclusive.

By Order of the Board
G. T. LOWNDES
Secretary.

71/78 Victoria Street,
Wolverhampton.

Company Notices

BANK HANDLOWY
W. WARSZAWIE S.A.
Registered Office:
Traugutta 7-9 Warszawa (Poland)

FLOATING RATE NOTES 1979-1989 OF US$1000

Series including the 1851 bonds which were drawn on the fourth drawing by lot dated 1 July, 1987 representing the total annuity of US$1,851,000 to be redeemed on 17 August 1987:
2,931 to 5,000
13,302 to 14,785
These bonds will be redeemable at US$1,000, at the offices of the following establishments:
—BANQUE NATIONALE DE PARIS—PARIS
—BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.—LUXEMBOURG
—BANQUE INTERNATIONALE A LUXEMBOURG—LUXEMBOURG
—FRENCH AMERICAN BANKING CORPORATION—NEW YORK
—SOCIETE GENERALE—PARIS
However, the bondholders who benefit from this redemption must deposit the securities they hold prior to 20 July, 1987 at the office of the fiscal agent I.E. BANQUE NATIONALE DE PARIS, Centre d'Opérations sur Coupons, 14, rue Bergère, 75009 PARIS or at the above mentioned offices of the paying agents.
BANK HANDLOWY W. WARSZAWIE S.A. has evinced intention to redeem only the bonds held as of March 26th, 1981 by the holders "Natural Persons." The holding as of March 26th, 1981 will be the purpose of an affidavit delivered to the holder by a bank or a financial institution.
This affidavit will have to accompany the bonds deposited for redemption.
Outstanding amount: US$3,702,000.

NATIONAL BANK OF CANADA
$US 100.000.000
FLOATING RATE DEPOSIT NOTES
DUE APRIL 1995

For the three months, July 7, 1987 to October 6, 1987, the rate of interest has been fixed at 7 3/16% P.A.

The interest due on October 7, 1987 against coupon nr 10 will be $US 183.68 and has been computed on the actual number of days elapsed (92) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Company Notices

CHARTER CONSOLIDATED P.L.C.
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the twenty-second annual general meeting of members of Charter Consolidated P.L.C. will be held in the Caxton Suite at the London International Press Centre, 76 Shoe Lane, London EC4A 3JB (New Street Square entrance), on Tuesday, 4 August 1987 at 12 noon for the following purposes:

1. To receive and consider the accounts and the report of the directors for the year to 31 March 1987.
2. To declare a final dividend.
3. To reappoint as directors Mr. R. H. R. Kettle, Mr. R. K. A. Wakeling, and Mr. J. Ogilvie Thompson.
4. To reappoint Coopers & Lybrand as auditors and authorise the board to fix their remuneration.
5. To consider three ordinary resolutions amending the company's share option and profit sharing schemes.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company.

Registered Office:
40 Holborn Viaduct
London EC1P 1AJ
10 July 1987

By order of the board
E. G. RUDLAND
Secretary

NOTES
1. Forms of proxy must reach the company's registrars, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL, not less than 48 hours before the meeting.
2. Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer.
3. Two directors' service contracts may be inspected at the registered office of the company during usual business hours and at the place of the meeting from 11.45 a.m. until its conclusion.

CHEMICAL NEW YORK CORPORATION
US$250,000,000 Floating Rate Subordinated Capital Notes
Due October 1997

In accordance with the provisions of the notes notice is hereby given that for the interest period from 9th July 1987 to 9th October 1987 the notes carry an interest rate of 7⅛ per cent per annum. The interest payable on the relevant interest payment date, 9th October 1987 against Coupon No. 8 will be US$910.42 per US$50,000 Note.

Agent Bank
CHEMICAL BANK

Legal Notices

IN THE MATTER OF
THE COMPANIES ACT, 1985
AND IN THE MATTER OF
TOWN AND COMMERCIAL PROPERTIES LIMITED
(In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 595 of the Companies Act, 1985 that a FINAL MEETING of the SHAREHOLDERS of the above-named Company will be held at the offices of Cork Gully, Chartered Accountants at Shelley House, 3 Noble Street, London EC2V 7DQ on Friday the 11th day of September 1987 at 10.15 a.m. to be followed at 10.20 a.m. by a FINAL MEETING of the CREDITORS and HOLDERS of 6¾% Convertible Unsecured Loan Stock 1983 for the purpose of receiving an account of the Liquidators' acts and dealings and of the conduct of the Winding-up.

The Winding-up of the Company has now been completed. All assets have been realised and all monies due from subsidiaries have been received.

A number of Secured Creditors have suffered substantial shortfalls in respect of the realisation of their security. As a result there have been no surplus funds available to meet the claims of Preferential Creditors, and therefore there will be no funds available to pay any dividend whatever in respect of the claims of unsecured creditors, loan stock holders or shareholders.

Dated this 6th day of July 1987.

G. A. WEISS
Joint Liquidator
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DG.

M. J. SPENCER
Joint Liquidator
Stoy Hayward
8 Baker Street
London W1M 1DA

IN THE MATTER OF
ZANEN VERSTOEP DREDGING LTD
AND IN THE MATTER OF
THE CYPRUS COMPANIES LAW
CAP 113

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being voluntarily wound up are required on or before the 10th day of August 1987 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned

MR ANTONY HAJIROUSSOS
of Julia House,
3 Themistocles Dervis Street,
PO Box 1612,
Nicosia, Cyrus,

the Liquidator of the said company, and if so required by notice in writing from the said Liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 10th day of July, 1987.
A. HAJIROUSSOS, FCCA
Liquidator

MACBAR MARINE LIMITED
JOHN MARTIN IREDALE
AND ROBIN MICHAEL ADDY
of CORK GULLY, SHELLEY HOUSE,
3 NOBLE STREET, LONDON EC2V 7DQ
were appointed Joint Administrative Receivers of
MACBAR MARINE LIMITED
(Registered No. 764778)
by LLOYDS BANK PLC

8th July, 1987.

J. M. IREDALE
and R. M. ADDY
Joint Administrative Receivers

Company Notices

NACIONAL FINANCIERA S.A.
US$100,000,000 Floating Rate Notes 1978-1983

In accordance with the terms and conditions of the above mentioned floating rate Notes, the interest rate applicable for the period from July 9, 1987 to January 11, 1988 (186 days) has been fixed at 8³⁄₁₆% per annum.

Interest payable on each Note of US$1,000 on January 11, 1988 against Coupon No. 20 will be US$42.30.

Banque Internationale a Luxembourg
Societe Anonyme
Fiscal Agent

PROCTOR & LAVENDER GROUP LIMITED
Company number 366893
Nature of Business: Holding Company. Type of Liquidation: Members. Registered Office: Bridge Estate, Lodge Lane, Solihull, West Midlands, B91 2HB. Liquidators name and address: John Frederick Powell, 43 Temple Row, Birmingham, B2 5JT. Date of appointment: 19th June, 1987. By whom appointed: Members.

OFFICIAL NOTICE

Please be advised that the following Coffee Warrants have been replaced and should be considered null and void. Nos.

511133,	511134,	511368,	515027,
515026,	515028,	515029,	517990,
521003,	521075,	521310,	523310,
523850,	523851,	523852,	523853,
523860,	524414,	519708,	523461,
523463,	523464,	523465,	523466,
523467,	523490,	523491,	523492

C. Steinweg, Willemskade 20,
Rotterdam 2, Netherlands

THE ARTS

Cinema/Nigel Andrews

Human life all shaken and stirred

The Adventures of Buckeroo Banzai Across The Eighth Dimension directed by W.D. Richter

A Great Wall directed by Peter Wang

Boy Meets Girl directed by Leos Carax

Police Academy 4 directed by Jim Drake

Kelvin Han Yee and Sharon Iwai in "A Great Wall"

One is suspicious of any title as long as *The Adventures Of Buckaroo Banzai Across The Eighth Dimension*. First, it looks like a cunning plot to preclude bad reviews of the film by taking up most of the space available for a critic's opinion. Secondly, it suggests a frantic mish-mash of movie invocations, as if we are being offered an outback hero with Oriental undertones stumbling into a Lucas-Spielberg space saga.

And that, more or less, is what we *are* offered in this merry, mix-and-shake adventure comedy. The film's cocktail approach to genre — sci-fi plus action romp plus political satire plus comic-strip fantasy — is matched by its likewise approach to its hero (Peter Weller), who has been shaken and stirred from multiple ingredients. Neurosurgeon, racing driver and rock singer, the dashing Banzai is first discovered driving through a solid mountain in his Jet Car to break through both the sound barrier and the "eighth dimension" (whatever that is).

Word of this feat soon reaches the ear of one John Whorfin (John Lithgow), on whom it acts like flame to a blue touch-paper. Whorfin is an evil extraterrestrial with a crazed Italian accent, who has been stranded in an earthly mental asylum ever since the alien invasion reported by Orson Welles in his famous 1938 *War of the Worlds* radio broadcast. (No, says the film, that was not a hoax. Welles was merely hypnotised to pretend on the air that it was.)

On this plausible Ossa of a plot premise — we all know rock singers who could break the sound barrier and Italians bizarre enough to be extraterrestrials — writer Earl Mach Rauch and debut director W. D. Richter (who scripted the *Invasion Of The Body Snatchers* remake) then pile a Pelion of the amiably preposterous. There is a solemnly all-at-sea US President strapped to a revolving therapy bed; an army of lizard-faced aliens who cluster to Whorfin and his world-domination bid; a much sought-after gadget called an "Oscillation Overthruster"; and a tendency for the movie's woodwork to crack open and reveal *familiar* Hollywood character actors, including Christopher Lloyd (the mad professor of *Back To The Future*) and Jeff (*The Fly*) Goldblum.

There are times when the piling of Pelion on Ossa threatens to end in an almighty landslide. When jokes go wrong in comedy, they can produce a knock-on avalanche of misjudgment. But the film keeps arresting the process in the nick of time: stilling chaos with good one-liners and compensating for the odd falling boulder with a profusion of vertical take-off gags. What stony heart could resist a giggle at the dread-locked black alien who speaks in interstellar Rastafarian (Carl Lumbly); or at the document passed to the President for signature as tension mounts ("Declaration of War: The Short Form"); or at the elaborately squishy creature set to slither slowly down a chute towards the shackled heroine at climax-time and resembling an animated Salad Niçoise?

In short, all human life is here. And then some.

★

Some cross-cultural cocktails work better than others. The depiction of Sino-American relations reaches a rare pitch of idiot blandness in Peter Wang's *A Great Wall*. This is the first US feature film shot in Mainland China and for all the world resembles a travelogue with fictional trimmings.

When the Fangs, a San Francisco Chinese family, come to Peking to visit relatives, they are greeted with smiles and subtitled Mandarin by the Chao family. "Try my Four Happiness meatballs" coos Madam Chao. They do so, and in return Mrs Fang persuades Madam Chao to try a little Western make-up. (She is impressed, but rubs it off before the children can see it). Meanwhile Mr Chao, a retired official, swaps affable menopausal truths with Mr Fang, who has recently failed promotion in his job and confesses himself to be a "waiting - for - employment middle-ager." (The subtitles are wonderful in their conversational fluency.)

Meanwhile too, the younger generation do their bit for hands-across-the-Pacific entente. Paul Fang learns ping pong and is soon good enough to challenge young Lili Chao's boy friend in the International Youth Contest. This is the film's action climax. Will American hotheaded machismo win—or Oriental skill and self-discipline?

The suspense is bearable. Little else is, though, in this trite East-West soap opera. Seemingly edited with a butter knife, it slices off its genteel lengths of smiling cultural mediation: It never attempts to wield a sharper weapon in suggesting that some national differences might be unresolvable (like political ideology) or that even the best-disposed families, meeting across an ocean, might sometimes have the odd busting row or piquant misunderstanding. Goodness knows, either would be welcome here. Without it, the film seems bland, pie-eyed, lobotomised: 102 minutes of Four Happiness meatballs.

★

No better is Leos Carax's *Boy Meets Girl*. This comes to London three years after having been, insists the publicity, a cult French film in Paris. It seems more like an identikit French film: pieced together from bits of Godard, Bresson, Rivette and Eustache as its hero Alex (Denis Lavant) mooches about the Paris *quais* and *cafes* working out his love life and his existential philosophy. When girl friend number one (Anna Baldaccini) leaves him, he falls in love with girlfriend number two (Mireille Perrier), who is a dead ringer for Falconetti's Saint Joan in *La Passion de Jeanne d'Arc* and has the same impulses towards self-immolation. Alex himself has the *gamin* looks, brusque manner and unstoppable garrulity of the young Jean-Pierre Léaud.

This is a film, in short, where *everything* reminds you of something else. Even the epigrams carved in Parisian paradox ("The problem with loners is that they are never alone" and so on) seem out of J-L Godard by J. Rivette. There are moments of individual wit and quirkiness—like the hero's wall-map of Paris inscribed with autobiographical landmarks ("My first kiss," "My first murder attempt"). But for the most part the film seems a self-indulgent Left Bank doodle.

★

But this week's bottom-of-the-barrel award goes, *ex aequo*, to *Police Academy 4: Citizens On Parade* and *Night Of The Creeps*. The first has the knock-about cop cadets up to their mischief again, as they help out with a neighbourhood watch scheme. Every old joke from the used gag lot — including the gung-ho granny and the inadvertently entered gay bar —is wheeled out for your inspection.

The second film has slimy things from Outer Space causing havoc on an American campus. "Is this a homicide or a B-movie?" asks the police detective (Tom Atkins) as yet another corpse hits the floor, heaving up its cargo of ingested vermin. Undoubtedly the latter, and more aptly titled "Retch For The Sky."

A Man For All Seasons/Chichester

B. A. Young

The sovereign quality of this fine production at the Chichester Festival is established at once by Julia Trevelyan Oman's palatial set upstage that may be Richmond or Chelsea or anywhere—indeed Sir Thomas More's squalid prison. This is a visual equivalent of Robert Bolt's interpretation in familiar language of the great words and thoughts involved in More's trial and martyrdom.

I have never seen this play appear so exciting as it does here under Frank Hauser's direction, nor its arguments so clear. This comes from the vivid playing of the main parts; they are as immediately recognisable as if they were figures from the politics of our own day. Henry VIII's determination to divorce his Queen and, if the Pope will not consent to his doing so, to found a Church of England of his own with himself at its head, really seems, for the duration of the playing, as if it were a matter of actual concern to us today.

Tony Britton's Thomas More, unable to support the King despite their friendship, combines humour and dignity; he seems a man from whom wit flows naturally, and sympathy rises up whenever an opportunity occurs. His last farewell to his wife, where he begs her not to give way to excessive despair at his execution, is almost unbearably moving. Gwen Watford is his wife, Alice, content with the duties of housewife.

Rowland Davies makes a big, blustering but friendly figure of the Duke of Norfolk, butting through his duties without any suggestion of political subtlety but maintaining his heart in the right place. Martin Chamberlain's short scene as King Henry VIII provides a higher charge of nobility, even though it has to be admitted that the core of his performance is the classic figure of the King as we all know it from his pictures.

Thomas Cromwell is developed piece by piece in Benjamin Whitrow's subtle playing, until he matures from the efficient secretary to the harsh prosecutor. Richard Rich, whose dishonest evidence helps to seal More's fate, is here no sly seeker after advantage, as Jonathan Hackett plays him, but a young man confident of his ability to achieve anything he sets his mind to.

At the heart of it all is the Common Man, the good and faithful servant who may be a butler at one moment, or a juryman, or even an executioner; and above all these, an expression of the good nature of the British public. Roy Kinnear, with a set of clever little cameo performances, plays the part ideally.

Alastair Muir

Roy Kinnear and Tony Britton

Lady Be Good/Guildhall

Martin Hoyle

The Guildhall School of Music and Drama, nestling against the concrete fun palace of the Barbican, has made a considerable name for itself with its student productions of American musicals. As part of the current Gershwin junketings they are presenting this 1924 New York hit (two years later just as successful in London) until Wednesday. If not overwhelming, this is certainly one for collectors. A show with that title-song and "Fascinating Rhythm" could be no less.

A vehicle for the Astaires, the plot centres on the impecunious charmers, Dick and sister Susie. We meet them being evicted, their goods piled on the sidewalk, Susie still in the bed dumped on the street. In no time they are dancing to tunes of mutual exhortation, she still in her pyjamas, and playing hide and seek in the furniture, the way the dispossessed do. Dick subsequently woos rich battleaxe Jo Vanderwater; Susie impersonates the Mexican widow of an heir to millions, presumed dead, unaware that the handsome young hobo she fancies is—but I reveal too much of Guy Bolton and Fred Thompson's book (no Wodehouse contributions, alas). We also have a monocled silly ass—sprucely acted but sounding, by the standards of the time, a bit common—and a crooked lawyer played energetically for laughs.

The cheerfully escapist story provides not only the two most famous numbers but such gems as the love-song "So Am I." The Gershwin method, to Ira's lyrics, is deceptively simple: a three-note theme is repeated over the accompaniment's shifting harmonies and the effect is haunting. "The Half of It, Dearie, Blues" is a fascinating example of almost tongue-in-cheek comment on the actual genre.

Under Michael Omer the 22-strong band plays with more robustness than the finesse ideal for such young and occasionally slight voices. This version's music and revised book bear signs of hindsight: the clarinet quotes *Rhapsody in Blue* while the confidence-trickster lawyer's long description of a fictional bullfight recalls a Jimmy Durante routine (bouncily put over by Clive Rowe). Martin Connor's swift production is especially distinguished by Gerry Tebbutt's choreography, executed with style and panache though the lifts are sometimes effortful (are girls getting beefier or boys weedier?). Saul Radomsky's bright, mock-*naif* sets are just right, their hint of blithe inanity echoed by David Short's sumptuous costumes — notably the flower-fringed lampshade for comic Daisy and the Theda Bara glitter for Jo, whom Annika Bluhm makes splendidly horrid.

Nigel Richards, as an interpolated party entertainer, plugs the Astaire gap with a nifty routine, dueting with a gramophone; and Robin Fritz, as the tramp turned plutocrat, has the right easy amiability and a voice that carries.

Indigo/The Other Place

Michael Coveney

Indigo by Heidi Thomas in the RSC's Other Place auditorium in Stratford-upon-Avon is an interesting but rather cumbersome piece by a palpably talented new playwright. It recounts the expedition of a Liverpool slave trafficker to the Indies, his purchase of an African prince who seeks the white man's God, and his educative return to base on a voyage of disease, cruelty and betrayal.

In the slim body of her work to date including the play which this week deservedly shared the John Whiting Award, Miss Thomas has delved into Liverpudlian family roots, usually Irish ones. Here, she spotlights different sorts of racial unease between black and white Scousers identified in the betrayal of his slaves by one William Randall (Linus Roache) whose family dealt in rope cotton, and human life. They are commemorated in Randall Street. But the author's natural theatrical instincts betray her slightly as she loses sight of dramatic objectives chiefly in *a series of exotic interludes* before the two worlds meet. Ide and his cousin Mobote are disowned by the former's father, a languid potentate bedecked in flowing tribal silks and wielding a Kenyatta-style fly whisk. Quite how Ide comes to adopt his Christian aspiration, and how his nearest and dearest react to that stance, is not really clear. The espousal of the new religion is clumsily engineered.

Sarah Pia Anderson's production is patient and eventually acquires a cumulative force. But many stretches of the evening are demanding of generosity bordering on tolerance. The acting, however, is uniformly good: Randall is played with a trembling nervous edge by Mr Roache and his despotic father provides a good cameo for Trevor Martin. Ide and Mobote are strikingly played by Hakeem Kae-Kazim, a former National Youth Theatre Othello, and Carlton Chance; they resemble ebony icons in white loin - cloths, manacled and humiliated by the not so Bligh spirit of Sean Baker's ship doctor—the doctor makes Randall whip Ide, from which point God is put on the spot and various moral tenets subjected to severe questioning.

The conscience of the play keeps skipping from character to character, and resides finally in the Liverpudlian cabin boy, Barney (Jimmy Gallagher), who has recited the Nicene Creed, skinned cats for the dinner table and adopted various other bloody and ritualistic manners. The future lies in Ide's girlfriend's belly. She has a lovely speech on geniality and parturition that is delivered with blank and chilling serenity by Susan Harper-Browne.

The play may be awkwardly devised but it wreaks of promise, even if Miss Pia Anderson's staging allows too many dead passages to dawdle on when cutting would have been advisable. The fine line between gravity and soporific portentousness is not always successfully negotiated. Roger Glossop's design of steel concentric circles in the sky and rippling waves painted on an indigo floor—time and tide wait for no man but accommodate a few passing ships—is bold and really quite clever. I liked, too, the rumbling minimalist sound score, full of crashing waves and mounting rebellion, devised by John Leonard and Ilona Sekacz.

Missa solemnis/Festival Hall

Max Loppert

Probably no work played and sung with reasonable regularity in the concert hall continues to arouse such high expectations as the *Missa solemnis*. At times, indeed, one begins to wonder whether there is any possibility of those expectations ever being more than faintly and fleetingly satisfied; no doubt Beethoven's D major colossus, impossible to sing for choristers and solo quartet alike, is realised completely only in the imagination.

Nevertheless, and in less exigent terms, a performance can succeed in raising the listener's temperature if at least something of the noble, intractable struggle with the material is conveyed. The main trouble with Wednesday's *Missa solemnis*, played by the London Mozart Players, sung by the London Choral Society, and conducted by Jane Glover, was not that there was exposed in it any shameful inadequacy

The compact chamber-size orchestra did reasonably well by the instrumental writing (the violin solo in the "Benedictus" was purled off with fine floated ease); and though the usual sensations of discomfort on long-held high As were had by the choral sopranos (and their listeners), the choir maintained in general a good, strong ensemble (the tone of the tenors *en masse* sounded more youthful than when I last heard the group). Of the solo quartet—Margaret Marshall, Diana Montague, Maldwyn Davies, John Tomlinson—it was the middle two voices who kept firmest under pressure

Yet almost throughout the performance one's feet stayed obstinately rooted to the ground —the music refused to lift them off, the cumulative experience refused to happen. Dr Glover's command of Beethovenian rhythm may have had something to do with it: in certain *allegro* movements there was something dogged, pedantic, unimpassioned about the articulation, the tempo choice; and therefore a sense of motion onward and upward went missing. But against that, there were many details—in particular, the flowing liaison of lyrical parts in the "Benedictus"—that showed the conductor's real, honest response to the grandeur and the heavenly strivings of the music.

Hagen Quartet/Wigmore Hall

Dominic Gill

I first heard the Hagen Quartet from Salzburg not at their Wigmore Hall debut in the autumn of 1982, but a few months later at the international String Quartet competition in Evian. Three of its members had by then barely turned 20, and their cellist was just 16. Their Evian appearance created as great a sensation as their London debut: and their playing at the competition, for all its occasional marks of youthfulness and inexperience, was judged to be worthy of a class of its own.

Since then the Hagen have gone from strength to strength, and have made three fine recordings for Deutsche Grammophon. They are now an established young quartet on the international scene and need no longer be judged as prodigies. But it is rewarding to find that their performances still retain, at their best, the energy and freshness of those teenage years. Nothing sounds slack, or stale: the playing is still alive with the excitement of new discovery.

Their quartet sonority alone is so seductive, and so exquisitely modulated, that such passing signs of immaturity as there occasionally are still tend to pass by unremarked. One had to concentrate hard to find anything significantly wrong with the Hagen's account of the second of Mozart's "Haydn" quartets at the start of their recital on Wednesday evening. A faint nervousness in the phrasing of the first movement, perhaps; a few strands less than perfectly placed in the andante. But in sum it was a performance of remarkable grip and style, beautifully presented. Nothing in it was compromised for effect; every line, colour and intention was crystal clear.

Adventurously, they also included in their programme the first quartet of Alexander Zemlinsky—an early work dating from 1898 when the composer was 26, its first movement big and convolutedly Brahmsian (Schoenburg surely learnt more about counterpoint from his study of Brahms than he ever did in person from Zemlinsky). The strange slow movement ("cross between a funeral cortege and a Polonaise") is the most interesting: the writing casts an ascetic eye on Brahms, but also a premonitory glance at the polytonality of Alban Berg yet to come.

The Hagen ended with an exuberant account of Smetana's first quartet "From my life," delivering the windy paragraphs of its opening pages with fine conviction, returning again at last to the Theme of Fate—after the lyrical excursions of the central movements — with powerful intensity, and splendid concentration of gesture and tone.

Arts Week

Continued from Page 12

sic rescues this sedentary version of Buck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0226).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

WASHINGTON

Tango Argentino (Opera House): A rousing but surprising Broadway success last season returns for its glittering display of Argentine dance and swirling intimacy. Kennedy Center (254 3770)

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's *Les Misérables* is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Opera and Ballet

NEW YORK

New York City Opera: Performances of Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frank Corso's production, and La Traviata join the repertory after the concluding performances of The Student Prince with Jon Garrison in the title role, Leigh Munro and Brian Steele, conducted by Paul Gemignani and directed by Jack Hofsis. Lincoln Center (870 5570).

Jacob's Pillow Dance Festival: Summerlong work and performance schedule in the Berkshires features recitals this week by Yoshiko Chuma and the School of Hard Knocks with Wendy Perron Dance Company (Tue-Thur). Becket, MA (413). 243 0745.

WEST GERMANY

Munich, Bayerische Staatsoper: Munich's annual opera festival runs to July 31 at the Munich Bayerische Staatsoper. The second week of performances starts with the new Giorgio Strehler production of Falstaff, conducted by Lorin Maazel. The cast is led by Pamela Coburn, Brigitte Fassbaender, Juan Pons and Claes H. Ahnsjo. Further offered Siegfried and Götterdämmerung, both in Nikolaus Lehnhoff's disputed productions, with Hanna Schwarz, Hildegard Behrens, Rene Kollo, Kurt Moll and Marjana Lipovsek. Turandot in Jean Pierre Ponnell's highly acclaimed production, conducted by Guiseppe Patane, stars Ghena Dimitrova, Mirella Freni, Jan Hendrik Rootering and Friedrich Lenz. Also Cosi fan tutte, sung in Italian.

ITALY

Verona: Arena di Verona: Aida, directed and designed by Pietro Zuffi and conducted by Donato Renzetti, with Maria Chiara as Aida (alternating with Seta del Grande and Martha Colalillo), Fiorenza Cossotto as Amneris and Nicola Martinucci as Radames (23 520).

Ravenna: Rocca Brancaleone (Ravenna Festival): Carmen, conducted by Raphael de Burgos and directed by Pierluigi Samaritani, with Agnes Baltsa, Jose Carreras, Silvano Carroli and Alida Ferrarini. (36 161).

Rome: Terme di Caracalla: Rome Opera's 50th summer season opens with a new production of Aida by Sylvano Bussotti, conducted by Julius Rudel of the New York City Opera. Leona Mitchell sings Aida and Grace Bumbry, Amneris. (46 17 55).

Turin: Parco Rignon: The Baroque Dance Company, Ris et Danceries, in Passacailles with Francine Lancelot and Francois Raffinot. (54 45 62/55 78 248).

LONDON

Royal Opera, Covent Garden: In the closing weeks of the Royal Opera season two key works in German opera provide the operatic repertory. Fidelio, in a revised version of the disastrous Andrei Serban production that closed Colin Davis' regime in the house last year, comes back with Davis again conducting and Elizabeth Connell again in the title role. Die Frau ohne Schatten, in the company's somewhat faded late-60s production, has a superior cast list – Gwyneth Jones, Ruth Falcon, Helga Dernesch, Robert Schunk, Siegmund Nimsgern – and that first-rate Straussian Christoph von Dohnanyi in the pit. (240 1066).

Saleroom/Antony Thorncroft

Supporters of a bastard

It's wonderful how a royal connection boosts the price of antiques. Sotheby's was selling yesterday, in its works of art auction, a pair of Tudor bronze heraldic beasts, one in the form of a hound, the other shaped like a bull. They were similar in manufacture to the bronze screen that surrounds the tomb of King Henry VII and Elizabeth of York in Westminster Abbey but when the catalogue went to press Sotheby's was still in the dark as to the exact origin of the items.

Later research linked them to the Duke of Richmond and Somerset, the illegitimate son of King Henry VIII. They could well be his supporters, holding up his arms for public display. Danny Katz, the London dealer, believes this. He paid £422,000 for them, as against the top estimate of £20,000 before the homework had been completed.

The highest price in the sale, which totalled £1,174,833, with 9 per cent unsold, was expected to be paid for a Byzantine mosaic from Torcello near Venice. In the event it sold for £264,000, just on estimate, to the New York dealer, Edward Lubin.

The mosaic, of the head of an apostle, has been dated to the second half of the 11th century, and it turned up last year in Wales, in the small parish church of St Anne's at Talygarn. It probably left its Italian home in the mid-19th century when conservation work was undertaken on Torcello's mosaics, which pre-date those of San Marco in Venice, and were almost certainly the work of imported Byzantine artists.

The parish priest discovered it, took it to the National Museum in Wales, and research did the rest. The money raised will go to the Representative Body of the Church in Wales.

An English terracotta figure of a river God, dated to the mid 18th century, and in the manner of Michael Rysbrack, sold for £33,000 and a set of three Italian bronze figures of the Evangelists, of late 16th century date, made £29,700.

Among paintings sold yesterday Sotheby's in Chester achieved a price of £22,000 for a 1939 view of "The Fountain Tavern" by Stanhope Forbes while, at Bonhams, a Panini view of figures among classical ruins sold for £52,800 in an auction of Old Masters.

"Vladimir," a bisque headed bébé doll, made by Jumeau, sold for £6,600 at Christie's, South Kensington. It wears the sailor's uniform of the Imperial Russian Navy, and was given to Miss Ellen West, the governess to the children of the Duke and Duchess of Edinburgh, as a leaving present, around 1900. The doll carries the name "Roxana," in cyrillic script, on its hat—"Roxana" was the yacht of the Duke.

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The relevant debt questions

TWO APPARENTLY incompatible schools of thought seem to have emerged on the international debt crisis in recent months. One observes with relief that the apparent flare-up in the crisis early this year has subsided. Looking ahead, on moderately optimistic assumptions about world economic growth, it concludes that we should now be over the hump: the burden of debt service as a proportion of foreign currency earnings should now be on a downward trend.

This rosy view of what has been achieved by muddling through is not fully supported in the market; there is now a substantial secondary market in developing country debt, and the discounts quoted are for the most part higher than they were at this time last year.

All the same, central bankers can probably enjoy reasonably peaceful sleep. A combination of rescheduling and accumulated earnings has almost certainly made the purely banking crisis containable, except on the gloomiest assumptions.

However, this is not simply a banking crisis; it is an economic crisis involving many major developing countries and their trading partners, notably the US. In this respect the crisis is far from over, as the Group of 30's study group on alternative financing methods firmly states in its report.

Willing hands

It concludes: "In the light of the probable financing needs of the less developed countries over the next few years, the probable reductions in the levels of new money from the commercial banks and the practical limits on the amounts of new money that can be raised by all of the alternative sources reviewed, it seems clear that a greater role for the official institutions will be essential."

This is certainly unambiguous, but might be dismissed as buck-passing by the commercial bankers who dominated the group. It is their detailed review of the alternatives available, their scope, methods and impact, which underlines the need for a new official initiative.

The market has been inventive in devising ways of passing debt into more willing hands, converting it into equity or purely internal obligations, and in attracting new money—notably former flight capital from the countries concerned. However, the total market in such swaps and conversions is put at only some $5bn a year, very small in relation both to the existing debt burden, and to the development needs of the countries concerned.

The drawbacks do not end there. First, as might be expected, the swap markets are most effective in the debt of the strongest debtor economies, following the normal rule about bankers and umbrellas. Second, it is far from clear that these mechanisms provide additional capital, rather than substituting for other sources; additionality, as the report stresses, is the acid test.

Powerful case

Further, there are problems associated with many of them. Thus, for example, the conversion of debt into domestic claims—mainly by encouraging holders of flight capital to switch into domestic indexed debt—is usually achieved by what amounts to an artificial exchange rate. Price distortions of this kind are always open to abuse. Debt-equity swaps may undermine domestic monetary control, while debt-debt swaps between lenders usually bring no benefit to the borrower at all. A future threat which is not much discussed in the report arises from the probable growth in the secondary market in discounted debt. Some borrowers have already established para-statal banks largely for the purpose of buying in such debt in the market; and in this way the countries perceived to have the worst economic management may secure the largest relief. This is substantial: market discounts are about 30 per cent on average, but more than 80 per cent in the worst cases.

There is a powerful case, then, for the official institutions to make some move back towards their role in the 1960s, when they provided some four-fifths of LDC funding, twice as much as recently. They could link their contributions to proper incentives and conditions and finally, as the report observes, they could accelerate the snail-like progress of private financing. What is required, as this valuable report emphasises, is that "the prospects for success should be perceived to be improving."

US gives a lead on farm reform

THE US stole a march on its trading partners this week with its radical proposals to the General Agreement on Tariffs and Trade in Geneva for the reform of world agriculture.

Its plan for a total elimination within 10 years of all export subsidies and import barriers to trade in farm products is far bolder than anyone expected. It has left the European Community in particular floundering in search of a response that is politically acceptable to its member states but does not appear churlish and mean-minded.

From a tactical perspective the US move was masterly, even if detailed examination of its proposals raises many difficult technical questions. It has ensured that the faster impetus for farm reform, which developed this year within the Organisation for Economic Co-operation and Development and was picked up by the Venice summit, has now been carried further—into the heart of the current Gatt round of multilateral trade liberalisation discussions.

This can only be good. No one now disputes that the need for reform of world agriculture is urgent. Not only have present practices inflicted debilitating distortions on world markets, with massive surpluses generated by rich countries at the expense of weak prices for poor producers. The cost of subsidies is also becoming prohibitive even for the industrial world. US taxpayers will spend $25bn on farm support this year. Those in EC will spend $26bn with a further $40bn coming in the form of higher prices for consumers.

Political cost

The US believes that the high political cost of agricultural reform would be easier to meet if all sides undertook it simultaneously. It would be easier to dismantle its own support programmes if this were allied to the unwinding of the much-hated European Common Agricultural Policy. But the political and social sacrifice would be far greater in regions with heavily protected regimes, such as the European Community and Japan. They cannot afford to rush to endorse the US scheme without careful consideration of the details, nor are they likely to do so.

Besides, there is plenty of legitimate room for debate. Is sensible farm reform merely a question of eliminating subsidies? Would that be enough to halt over-production? Are the US proposals adequate to tackle the problem of existing surpluses? Can any payments to farmers be decoupled from production, as the US suggests?

Higher stakes

It would be quite wrong, however, for the EC to harp on these doubts as an excuse for failing to bite the bullet of comprehensive farm reform. Mr Guy Legras, its director-general for agriculture, told Gatt this week that the EC agrees with the US on its diagnosis of the problem. That means it must accept that urgent action is needed. But with almost the same breath Mr Legras said there should continue to be some form of double pricing (domestic and external) for farm produce. Logically this implies a determination to cling to the concept of export subsidies through thick and thin.

The assumption in Geneva is that the US plan is only the start of what promises to be a long and complex negotiation. Nonetheless the stakes are now higher. It will be hard henceforth for the Gatt talks on agriculture to retreat into a stultifying and ulimately abortive piecemeal argument on reform. If they do, it is the US which will be able to accuse its trading partners of obstruction and lack of vision.

There is another reason why the EC should be careful to avoid rejecting the US proposals out of hand. By far the most dangerous of its current and potential trade conflicts with the US lie in the field of agriculture. Only recently has the threat of a trade war over the proposed oils and fats levy been averted. Still looming is a dispute over the EC's plan to ban hormones in meat. Each of these disputes could spill over into arenas far removed from agriculture.

The EC should be as constructive as it dares, and possibly a little bit more, in formulating its own reform proposals. This would be all the more to its own ultimate advantage if it can secure in return from the US a commitment to handle its short-run complaints about EC farm policy by a process of orderly negotiations.

THE AUSTRALIAN ELECTION

When the sales pitch moves to the right

By Chris Sherwell in Sydney

Mr Hawke: conveniently, trends on the economic front are helping his campaign

AUSTRALIA GOES to the polls tomorrow, but for a thriving democracy which enjoys lively political combat and inspires passionate party allegiances the atmosphere has been strangely subdued.

Politics being a national bloodsport, people are keen to know the outcome of a contest which pitches Mr Bob Hawke, the super-confident incumbent Prime Minister against a tenacious and articulate challenger, Mr John Howard. But Australians are also wearied by the six-week winter campaign, sceptical about the extravagant promises of their salesmen-politicians and worried about their rich but indebted nation's future at the onset of its third century.

When they cast their votes under the country's unusual compulsory system, they face an awkward choice. On the one hand is Mr Hawke's highly pragmatic Labor Government, which has unexpectedly imposed austerity after equally unexpectedly snatching the conservative middle ground.

On the other is the opposition Liberal Party, led by the less charismatic Mr Howard, in alliance with its erstwhile coalition partner, the rural-based National Party. It is offering a radical right-wing programme of tax cuts, slashed government spending, asset sales and curbed union power, all in the name of incentive.

In an election where economic issues eclipse all others, Mr Hawke is defending a 16-seat majority in the 148-seat House of Representatives. The result will be decided in less than a score of urban marginal seats, the most important in Melbourne, Perth and Brisbane. Also in contention is the composition of the Senate, or upper house, where a proportional representation system means Labor cannot hope to secure outright control.

The worst result would be a Government with a majority too narrow to govern effectively and with little influence over a Senate in which minority parties held the balance of power.

A convincing Labor victory would give the party a historic third term and help establish it as Australia's natural party of government. For Mr Hawke, a former trade union official who entered Parliament only seven years ago, it would be a remarkable achievement.

The campaign takes place against a gloomy economic background; Australians are continuing to live well beyond their means. The country's gross external debt is A$105bn (£46.5bn) and rising; its current account deficit, at more than A$13bn (£5.8bn), is unsustainably high.

That should have helped the two opposition parties. But Labor stole their economic clothes and worked hard on its marginal constituencies, as endless leadership wrangles left its opponents unable to capitalise on its vulnerability. Only since the election was called have they managed to narrow the gap.

Each side has condemned the other's programmes as irresponsible. But neither has dared spell out the pain Australia's 16m people must suffer to pull themselves out of trouble.

Labor is running on its record and offering more of the same policies of "restraint and responsibility." It contrasts its unity with the opposition's divisions, emphasises its consensus approach while branding its opponents as confrontationist, and attacks their plan for huge tax cuts as a dangerous electoral bribe which would damage the economy.

As Mr Hawke intoned when he launched Labor's campaign: "Never in peace-time has Australia's future depended so much on a single decision."

Running a less flowery campaign, Mr Howard says Labor has had more than four years to get things right. He has grown increasingly pungent in his criticism of its economic management.

Labelling it "the biggest spending, biggest taxing government since the war," he has condemned Labor's record of high interest rates, high inflation and weak investment, and reminded Australians how their living standards have fallen. In his view, Australians must become more productive to overcome their economic problems. The only way this can be achieved, he says, is by offering more incentive.

Unfortunately for him, the detail of his alternative programme has forced him on to the defensive. A damaging Liberal miscalculation—including such mistakes as double counting—over the A$7.8bn spending cuts which are to fund $7.8bn in tax cuts reflected badly on his party's credibility.

In the jargon of local politics, the tax promises are aimed squarely, almost cynically, at the "hip-pocket nerve" of middle Australia. They include a reduction in the top level of personal tax from 49 per cent to 38 per cent, a middle rate of 25 per cent and a higher tax-free threshold. Corporate tax would fall to 42 per cent and capital gains and fringe benefits taxes—introduced by Labor—would be abolished.

The associated spending cuts have been broadly spelled out. Liberal contentions that they will cost only "three cents in the dollar" have demanded lengthy and unsatisfactory clarification. Labor has responded by pointing out the potential adverse effects of the proposals on health, education and welfare. Some look impossible to deliver, as Mr Hawke and his colleagues—particularly Mr Paul Keating, the Treasurer and an aggressive foil for Mr Hawke—have mercilessly pointed out.

Asking "Where's the money coming from?" Labor says Mr Howard will either have to break his promises, damage the economy or introduce a consumption tax—something for which Mr Howard (and Mr Keating, for that matter) once stood, but it is now anathema.

Counter-attacking the Hawke-Keating scare campaign, Mr Howard says: "We offer a path of lower taxation, smaller government, no government waste and greater individual freedom . . . We offer it because it is the only sure way to restore Australia's economic prosperity and the living standards of you and your family."

Many see him as the archetypal "Aussie battler," but he has been running at a disadvantage because of the election's timing. Orginally expected early next year, at the time of Australia's bicentennial celebrations, Mr Hawke, spurred on by Mr Keating, sprung it early and with telling effect. He capitalised on his opponents' divisions, especially on the attack made on the Liberal-National Party coalition by Sir Joh Bjelke-Petersen, the maverick National Party state premier of Queensland.

Only this month has the partnership looked like putting up a real fight. Rifts have been papered over and the resilient Mr Howard has grown in stature.

But Labor has stepped up its offensive, asking whether he could keep in line some of the tough figures on his side of politics. One of these is 76-year-old Sir Joh, who is pressing as determinedly as ever for a flat 25 per cent income tax rate. Another is the robust Mr Ian Sinclair, 58, a survivor with an uncanny ability to avoid questions. His position as federal leader of the National Party has come under relentless attack from Sir Joh.

In Mr Howard's own party and heading the so-called "wets" is the smooth Mr Andrew Peacock, 48, a former Foreign Minister. He followed Mr Malcolm Fraser as Liberal leader, but surprised everyone first by ceding the position to Mr Howard in 1985 and then by fighting to regain it.

Mr Hawke has been in the driving seat. He looks confident—even complacent

Labor says Mr Howard, with his disappointing record as treasurer under Mr Fraser and his relatively unknown colleagues, would not be able to deal with the unions or manage change. It points to its own experienced team of economics ministers.

Mr Howard, after the internal squabbling, has refused to name any members of his team. But the result is that no one is sure who would succeed the Treasurer, or anyone else, in the event of a Liberal-National victory.

Mr Hawke is also being helped by some convenient trends on the economic front. Interest rates have started to fall without hurting the currency, he inflation outlook has improved and unemployment is at a tolerable eight per cent. Labor promises all this will continue.

Its round of long-awaited tax cuts, mainly helping the better off, has just taken effect. And it has reported a better-than-expected budget deficit for the year to March, thanks to higher tax revenues.

Conveniently far off are the painful consequences of Labor's spending cuts in May, curbing the state governments. Mr Hawke has meanwhile promised no further cuts, no new taxes and no tax increases in the budget due in September.

He has even been able to promote his image as a statesman. He took full advantage of the visit to Australia last month by Mr George Shultz and Mr Caspar Weinberger, key members of the Reagan Cabinet. He also grabbed attention at a key South Pacific forum discussing the Fiji crisis.

However, he is careful not to make too many promises. The biggest, worth $405m, is a family assistance package, part of a wider appeal embracing children, the aged and the disabled which aims to counter the impression that Labor has lost its heart.

To highlight its achievements Labor has pointed to responsible monetary and fiscal polices, a relatively stable (if overvalued) Australian dollar and restraint in wage rises. It is proud that it has floated the currency, deregulated the financial markets and relaxed controls on foreign investment. Less successfully, it has encouraged industrial restructuring and sought to rationalise industrial relations law for the first time in decades.

But none of this has stopped Mr Howard scoring points. Mr Hawke has looked exposed by the sheer boldness of Mr Howard's proposed spending cuts, by the opposition leader's positive talk of employee share ownership and by embarrassing allegation of broken promises since Mr Hawke became Prime Minister in 1983.

Generally, though, Mr Hawke has been in the driving seat. Labor has had the better organised campaign, while Mr Hawke has for the most part looked relaxed and confident—even complacent.

In the process of modernising his party, Mr Hawke has made Labor as conservative as the Australian electorate and driven the Liberals to more extreme positions. He has based his bid for victory on a determined rightward shift to the middle ground. Failure would provoke the resentment of traditional supporters and almost certainly precipitate a leadership struggle.

A Liberal win, on the other hand, would be achieved on one of the most radical programmes to be put before an Australian electorate. It would have far-reaching, even unpredictable, consequences. But Australians would not be able to say they were not warned.

Men and Matters

Castleman's surprise exit

Christopher Castleman's resignation from Hill Samuel yesterday was typical of a man who made a point of sticking to principles. As chief executive, he had been fighting to keep a host of predators at bay and preserve the group's independence: the prospect of a deal which undid all that work at a stroke was too much to bear.

He was lying low yesterday after his dramatic departure. But normally, Castleman has been one of the most approachable of the City's big names. He has an awesome appetite for work, the more gruelling the better, and he is happy to tackle it in a very modest office. He has transformed Hill Samuel from one of the City's more accident-prone banks into one of its most consistently profitable houses in his seven years in the job.

At the same time, Castleman, a strong family man, is known for his concern about the "human face of the City."

Typical of Castleman's style was his decision to enter this year's London Marathon at the age of 46 and kick a heavy smoking habit. He finished the course, and raised £100,000 for the Great Ormond Street children's hospital. He is also a keen cricketer, and is due to lead the Hill Samuel team against Essex next week. I gather his resignation will not alter these plans.

Whose idea?

Who invented the novel fixed-price-cum-tender offer being used for today's offer for sale of shares in BAA (formerly the British Airports Authority)?

John Gillam, of N. M. Rothschild, and Howard Hyman, of Price Waterhouse, are among those said to have inspired the device. But County NatWest, the merchant bank advising the Government in the flotation, is not about to yield its claim to originality.

According to director John Matthews, it was a team effort. The idea was hammered out on the morning of Friday June 5 at a meeting on the 19th floor of Drapers Gardens between himself, Noel Healey, also of County NatWest, Michael Wentworth-Stanley of Cazenove, the broker to the offer, and Jeremy Coleman of the Treasury. "In the sense that it is the first true tender, it is unprecedented," he says.

This assertion is unlikely to end the debate—unless, of course, the issue flops, in which case the claimants will probably go very quiet indeed.

Sporting issue

As grouse-shooting opens on August 12 an offer for sale of 450,000 new shares in gunsmiths Holland and Holland at 225p will close.

I suspect the timing is because the 152-year-old business expects its investors, old and new, to be out on the moors by then, relieved to be shedding financial cares and taking it out on the birds for a few days.

After making top quality sporting guns under the name "Royal" for more than 100 years Holland and Holland enjoys a close rapport with its customers and shareholders, and hopes for similar relationships with those who will be putting up the new money.

The company is currently owned by only 100 or so private shareholders—many of whom have close personal ties with it.

Apart from making guns, personally tailored for sportsmen, at its factories in London and Birmingham the company has a gun testing and shooting instruction ground at Northwood, and retails sporting clothing and shooting accessories from its shop in Mayfair.

The chairman of Holland and Holland is stockbroker Andrew HughSmith of Capel-Cure Myers.

Harlech's arts

The remarkable range of interests of the late Lord Harlech was the strongest impression left at the London ceremony launching the first David Harlech memorial bursary.

There, as a reminder of his time as British Ambassador to Washington and a confidant of the Kennedys, was Charles Price, US Ambassador to London; there, as a reminder of his years in politics as an MP and a Minister, was Roy Jenkins; and there, following his controversial years as a liberal president of the British Board of Film Censors, was John Schlesinger, the film director.

Organising the event jointly were Harlech Television, of which Lord Harlech was founder chairman, and the British American Arts Association, which promotes closer transatlantic cultural contacts.

Lord Harlech's catholic tastes in the arts were summed up by George McWatters, chairman of HTV. "He was as much at home at a pop festival as at Covent Garden," he said.

HTV, which covers Wales and part of the west of England, is giving £14,000 over the next four years to commemorate Lord Harlech's name with the bursary, which will cover a different area of the arts in the HTV region each year.

The first winner, from Lord Harlech's favourite world of jazz, is Dylan Fowler, a composer and guitarist from Cardiff. Next year the award will go to the film industry.

Perhaps the best example of Lord Harlech's laconic, black sense of humour was recalled by Lord Carrington, who remembered that when they were at Eton, the boys were summoned after an attempted suicide. "Can anyone give any reason?" asked the appalled housemaster. Silence, until the 13-year-old David Ormsby Gore piped up: "Could it have been the food, sir?"

Household words

A colleague shared a London taxi with two other men. One was a lecturer in politics and the other a builder who began an argument over the merits of local authority and private home ownership.

The lecturer came down strongly in favour of council housing and the builder in favour of the private sector. The argument continued for some time before the taxi driver intervened. He pointed out that he could see both points of view — after all, he had a council house in Islington and one of his own in Bexhill. End of argument.

In the vanguard

Poetry has come to the kerbside in south-east London:

"This van has been bumped
But surely not dumped
So please show some endurance
While we wait for the insurance."

So far, it has worked.

Out of place

A candidate in a recent examination in business studies at a Stoke on Trent college was asked to write about the terms he would expect to find in a contract of employment. According to his answer, they would include provision for "Time off in loo."

Observer

POLITICS TODAY

Ulster stops saying No

By Malcolm Rutherford

Tom King can scarcely believe his luck.

FOR THE first time that I can remember there is good news from and about Northern Ireland.

The decision of the Ulster Unionists to resume talks with the British Government about the future of the Province deserves to be welcomed; indeed already has been quietly welcomed, by all the constitutional parties involved. They include the main political parties in the Irish Republic, the Unionists and the Social Democratic and Labour Party in the north, as well as both government and mainstream opposition in Britain.

The only potential losers are the IRA, its political offshoot Sinn Fein, and any remaining Unionists who want to go on insisting that "Ulster says no" without having the faintest idea of where Ulster goes next.

Mr Tom King, the Secretary of State for Northern Ireland, says that it is still a matter of walking upon egg shells, and perhaps it is. One has the impression, however, that Mr King can scarcely believe his luck. For everything has begun to fall into place. He is the first holder of his office to be able to contemplate progress rather than to hope to do his best to prevent the situation getting worse.

> Relations between London and Dublin became as important as relations between London and Belfast

A useful starting point is the Anglo-Irish agreement of November 1985. The agreement marked a decisive shift in British policy towards Ireland. It was the recognition of the Irish dimension to the Ulster problem. Relations between London and Dublin became quite as important as relations between London and Belfast. It was particularly striking that it was signed by Mrs Margaret Thatcher, whose first instincts had been for nothing of the kind. She was a natural Unionist until she came to the conclusion that the behaviour of the Unionist leaders was unreasonable.

The reaction to the agreement in Ulster was one of almost complete rejection. Mr Ian Paisley and Mr James Molyneaux, the leaders of the two Unionist parties, joined hands in condemning it. "Ulster says no" was proclaimed in banners all over the Province and the Unionist MPs, by and large, withdrew from Westminster. Even in Britain there were people who should have known better who decided that the agreement was a mistake.

Yet, if one watched closely, it was clear that rejectionism was not quite the force that Mr Paisley supposed. There was nothing like the industrial action in Northern Ireland that terminated the Sunningdale Agreement in 1974. Instead there was just a sullen refusal to co-operate.

It became then a matter of waiting for something to turn up. Unionist leaders had several hopes. One was that elections in the Irish Republic would lead to the return of Mr Charles Haughey, who would promptly jettison the agreement. Mr Haughey was duly elected and did no such thing. Indeed the agreement passed its first test: a change in the Irish Government.

The Unionists also hoped for a hung Parliament as a result of the general election in Britain. It would have given them the possibility of offering to keep a minority government in power in return for certain favours: like the dropping or suspension of the agreement. That did not happen either. Instead Mrs Thatcher came back with a majority of over 100. In so far as she has problems with Dublin, they are about the common agricultural policy rather than the Anglo-Irish agreement. The latter remains safely in place.

There were one or two other developments not at all helpful to the rejectionist cause. The mainly Catholic SDLP has become, rather against the odds, a political party of some standing. It is no longer a one-man band at Westminster. There used to be only Mr John Hume, the member for Foyle, who, however admirable, could hardly do everything on his own. Then Mr Seamus Mallon came in for Newry and Armagh as a result of the by-elections forced by the Unionists last year in their fury at the Anglo-Irish agreement.

In the general election last month there was a third entrant in Mr Edward McGrady, who defeated Mr Enoch Powell (of whom more later) in Down South.

There are only 17 Northern Ireland seats altogether. One is held by Mr Gerry Adams, the Sinn Fein member for Belfast West, who refuses to turn up. For the SDLP to hold three of them is a considerable gain. (They are also as big as the mainland Social Democratic Party.) They can speak on all subjects and Mr McGrady, to judge by his maiden speech on Tuesday, turns out to be a very reasonable man, not at all wild: a chartered accountant by profession.

So the SDLP has been beating back Sinn Fein. It may even take Mr Adams's seat next time. It has also made some inroads into the Unionist vote and, meanwhile, the British Labour Party has been behaving sensibly. Ignore the speech by Mr Ken Livingstone in Tuesday's Northern Ireland debate. The Labour front-bench has stood by the Anglo-Irish agreement and will continue to do so: on that issue at least, there is still bipartisanship in British politics.

Not least, after the election Mr King was re-appointed Secretary of State. That is not very important in itself, but it does mean that there does not have to be a pause for review while a new Secretary works himself in. Besides, Mr King is a man for whom the Unionists have some regard. They do not think he has entirely sold out to Dublin or the Foreign Office. He is the right man in the right place at the right time.

There is also one conspicuous absentee. Mr Powell may have been a great Parliamentarian and have deserved all those fulsome tributes that have been paid to him since he lost his seat. But his influence on the Northern Ireland question was malign. He reduced Mr Molyneaux, the leader of the Official Unionists, to a state of permanent inferiority complex.

The most important development, however, seems to have taken place on the ground in Ulster. It was the rejection of rejectionism and the spreading realisation that Unionist MPs ought to return to Westminster and face facts. (One of the jibes of the election campaign indeed was that at least Gerry Adams had principles: he declined to take his seat, and also to draw his salary. Not all the Unionists were so high-minded).

Well before the general election several Unionists had begun work on their own response to the Anglo-Irish agreement. The document "An End To Drift," published last month, starts with the observation that "protest can be no substitute for politics." Most of the evidence on which it is based has not been released and is presumably highly sensitive, but it does look like a remarkably thorough survey of Northern Ireland opinion, and the conclusion is unmistakable. It is that the present impasse cannot be allowed to go on.

The document notes: "We have found absolutely no lessening in the Unionist community's antipathy to the Agreement. At the same time our investigations have unearthed deep disquiet about the current protest campaign and a simple disbelief that on its own it can or will persuade Mrs Thatcher to change course."

"An End to Drift" bears the names of two Unionist MPs, Mr Harold McCusker and Mr Peter Robinson, neither of whom could easily be described in Unionist terms as softees. Mr Robinson, in particular, has sometimes seemed an even tougher nut to crack than Mr Paisley. It was put together by Mr Frank Millar, the chief executive of the Ulster Unionist Party, who gives every impression of staking his not inconsiderable reputation on trying to persuade Mr Paisley to take a more reasonable line.

It was to Mr Paisley and Mr Molyneaux that the report was addressed. They accepted it in a joint press statement on Wednesday, having had talks with Mr King in London the day before. The result is that official dialogue between London and Belfast has re-opened. A high level meeting will probably take place in London early next week, and all this with the marching season upon us—a period when conventional wisdom has it that dialogue has to give way to gestures.

No one should leap to dramatic conclusions. The Unionists have not accepted the Anglo-Irish Agreement. Mr Paisley has not committed himself so far that he cannot back down later. What is under way is talks about talks, probing discussions to see whether negotiations are possible.

> Talks are due in London next week—with the marching season already upon us

Yet the Unionists have dropped their earlier demand that the agreement would have to be suspended before talks of any kind could begin and, although they do not like it, they have at least recognised that it exists.

At the back of Mr Millar's mind is almost certainly the thought that if London and Belfast cannot reach an understanding, Ulster may have to go it alone. Apprehension about that may persuade the Unionist leaders to seek a settlement. They may also have to acknowledge that in their outright rejectionism they have not always taken all of their people with them.

So the pieces are almost in place. Dublin has not objected. There is an Irish dimension and London should be happy. What must be clear after all the years of failed initiatives is that there can be no excuse for anyone running away now that the chance has come.

Lombard

Why bourses are so overvalued

By Michael Prowse

ONE of my favourite financial fantasies runs as follows. A grim recognition suddenly sets in that stockmarket prices have soared far beyond the levels conceivably justified by economic fundamentals. Financial markets panic and bourses go into a concerted nosedive. After a year or so of steady selling, the "Decline of the Equity" becomes a popular topic of diner party conversation. Merchant bankers attend Restart interviews. The FT drops its stockmarket pages in favour of an extended gardening commentary.

Pure fantasy, of course, although several major bourses are already significantly below their all-time highs. Tokyo is down about 9 per cent, Frankfurt about 16 per cent and Milan about 26 per cent. Confidence, while still high, is perhaps no longer rock solid. Every investor should recall the lesson of history: that bull runs always come to an end. All that is in doubt is the timing and the stickiness of the end.

Share prices are currently being kept aloft partly by the investment community's extraordinary desire to rationalise events, however bizarre. When the dollar shot through DM 3, US supply-siders talked happily about it rising to DM 4—in recognition of the efficiency gains brought about by Reaganomics. Today, analysts are as eagerly rationalising the stratospheric level of equity prices in Tokyo.

Look, for example, at a recent circular from Salomon Brothers entitled "Global Stock Market Valuation Techniques—Common Factors Behind the World Stock Market Boom of the 1986-87 Period." On the face of it, the paper is extremely reassuring. It is full of impressive-looking equations and concludes that: global stock markets are currently "fairly and appropriately valued." More controversially, it claims to remove "much of the mystique from the valuation of the Japanese stockmarket," and asserts that sky-high price-earnings ratios in Tokyo are justified by fundamentals such as interest rate trends and economic growth expectations. This latter claim is important because most pessimists believe that a global downturn in equity prices, if it occurs, will begin with a collapse of the Tokyo market, where the average P/E is a taggering 75.

In reality, however, the Salomon paper explains very little. An equation that purports to link p/es directly to bond yields and the growth of corporate earnings is simply wrong because it takes no account of dividend pay-out ratios. It assumes in effect that a company can both pay out a dollar of earnings and reinvest it for future growth. The testing of the equation is also faulty because Salomon uses real economic growth rates as a proxy for the nominal growth of corporate earnings and government bond yields as a proxy for corporate bond yields. The first error is the more serious: in the UK, for example, a p/e of 14.5 is "predicted" but only by taking 2.1 per cent as a proxy for corporate earnings' growth. The analysis also ignores important differences in countries' tax regimes and accounting rules.

The upshot, unsurprisingly perhaps, is that Salomon fails in its quest for an "internationally consistent" way of valuing stockmarkets and of checking that they are in touch with economic fundamentals. Different interest rate levels and growth expectations do not fully explain the huge international variation in p/es. The valuation of the Tokyo market remains a mystery. There is no comfort here for investors who fear that equity prices may have over-reached themselves.

The moral is not that Salomon's research is poor (it is probably better than average) but that the urge to explain and above all justify what happens in financial markets is extremely strong and therefore dangerous. Many people would like to believe the present bull market can last for ever. After all, if the Equity were to go into a serious and prolonged decline, the consequences could run far beyond the financial embarrassment of a few investors. A whole political philosophy, at least in the UK, has been built on the back of buoyant equity markets. There would be few votes in privatisation, wider share ownership or popular capitalism if equity markets were slumping.

Letters to the Editor

Protecting the consumer

From the General Counsel of the US Department of Commerce

Sir,—A. H. Hermann (US anti-trust at the crossroads, June 29) speaks in defence of dinosaurs and dinosaur logic when he favours centralised industrial planning over the discipline imposed by an operating market. I take great consolation in the knowledge that extinction follows its natural course, and that a wiser new breed prevails.

Hubbard claims that "[t]he anti-trust laws were designed with a wider aim of protecting freedom and the weaker members of society by preventing a dangerous accumulation of power in the hands of a few." This is dangerously misleading. Whose "freedom" is being protected? Certainly not that of the business community. Nor, most importantly, the consumer community. Stacking the deck in favour of weak firms that face stiff competition amounts, in fact, to bald discrimination against the efficient, and hence, the stronger firms. Is this "fair"? The writer overlooks the most "dangerous accumulation of power in the hands of a few." That is the outrageous concentration of power in the hands of government, which Professor Eleanor Fox would install as the final arbiter of every business decision, to the exclusion of the rights of owners, managers, and employees.

It is regrettable that the writer's view of US antitrust has been so heavily influenced by Professor Fox. Far from a "virulent academic backlash" against the Chicago school, hers is an increasingly anachronistic voice in favour of heavy government intervention in private affairs. If the UK can learn from experience in the US, the lesson should be that voices clamouring for a government bureaucracy to make all of the industrial decisions should not be heeded. Favouring weak firms over strong ones preserves and may even encourage inefficiency while driving the strong overseas to less restrictive environments. The market is the only fair and impartial decision-maker. Government owes protection only to consumers, and should intervene only when there is a substantial likelihood that their welfare will be adversely affected.

Douglas A. Riggs.
Washington DC 20230

Disappointed by the SDP

From Mr F Law

Sir,—I am sure there must be many SDP members who, like me, are saddened and disappointed that the party seems to tear itself apart.

The blame surely must be put on David Steel, for the haste with which he acted, immediately after the election. Malcolm Rutherford and others have rightly pointed out that the Alliance election results were far from catastrophic, and one needed time for reflection, before making hasty decisions as to the future.

One is disappointed with David Steel, whose public image portrays him as "the nice man in politics," and his actions suddenly revealed him as a little bit of a bully boy and a hustler.

I was, and still am, a member of the SDP, and it was its policies and its stance on many major issues (defence, Europe, caring for others) which changed me from inactive member of the electorate into becoming an active member of a party.

As there is no doubt that David Owen is regarded by friend and foe, both here and abroad, as a major figure in British politics, we must not allow him to become a leader without a party, and SDP members should follow his advice.

F. S. Law
61 Cadogan Square, SW1

Working new mines

From A. M. Magnus

Sir,— The crucial link between the two stories on July 7 about British Coal's plans for flexible working lies in the final sentence of the article of your back page: "The main thrust would be to adopt new working practices at new mines to compensate for the loss of jobs at pits which ran out of coal or were unable to produce it at prices customers would pay." The problem with what customers will pay was highlighted in your report on June 23 of the purchase by CEGB of 300,000 tonnes of coal in which it was stated that the delivered price of the cheapest of the latest international offerings is approximately one-half of the cheapest third-tier price of coal from British Coal.

The reality underlying the argument is therefore that unless much greater productivity can be achieved by working the machines to produce coal on at least six days a week, then many more pits will inevitably have to close. Moreover, given world over-supplies of coal, an increase in productivity may indeed cause job losses unless the market for coal from Britain can be expanded. What Mr Scargill omits to point out is that the consequence of failing to increase machine productivity will inevitably be a further shrinking in the market for coal from Britain and that this, too, must cause job losses unless very substantial financial losses are to be borne by the taxpayer. The choice is not between maintaining present practices and the present market but between maintaining present practices and having a diminishing market with inevitable closures and a loss-making industry or changing present practices and seeking to maintain or increase the market. This may well also lead to job losses. In the latter case there is at least some prospect for a more economically healthy industry, whereas in the former case there will be a continuing decline which will be bad for everyone in the industry.

Alan M. Magnus.
84, Holders Hill Rd, NW4.

Channel tunnel assessments

From the Director, Corporate Affairs, Eurotunnel

Sir,—Christopher Burt (June 30) makes a number of negative assertions about the Channel tunnel project.

Mr Burt says that "anyone who frequently crosses the Channel knows there is ample capacity at present." As a starting point for his main argument, this is unconvincing.

He must surely be aware of the long standing need for advance booking by car passengers during peak summer months and the complaints of commercial operators who get squeezed out of preferred sailings at such times.

Eurotunnel will inject a major new element of competition into the growing cross-Channel market. There is every expectation that this will have an impact on prices in common with market mechanisms elsewhere. Eurotunnel's modern cost-effective system should ensure low operating costs and hence economic operation. Mr Burt's second assertion is unfounded.

Mr Burt asserts that the potential time savings ("a few hours") for freight traffic are of no consequence. Why then is there a thriving distribution industry in the road haulage world which tries to achieve savings of this order as its raison d'être?

Stolport has its capacity limited by the planning authority and the major international airports offer rapid flights but tedious access arrangements because of their out of centre sites. Flight time is about a third of the air journey time from London to Paris, centre to centre. Through trains can offer a higher quality of customer service on board and can be highly competitive with air in terms of overall journey time for distances of this order.

On what basis does Mr Burt assert a cost overrun of £3bn? Such a scenario is not supported by independent audits of the project. Has Mr Burt some special knowledge that is unavailable to Eurotunnel's advisers?

Eurotunnel recognises the dangers of subjectivity and has exposed the project to independent audit. Outside professional advice supports current plans and so does the European Investment Bank, with its unrivalled technical expertise, in deciding to lend £1bn to Eurotunnel.

M. A. Hall.
Channel Tunnel Group,
Portland House,
Stag Place, SW1.

Reforming the rates

From Mr W. Bailey

Sir,—Local government as a conversational topic once provoked yawns, more recently groans, latterly outrage. It doesn't matter whether it is parents over schools, claimants and housing benefits, council tenants and repairs, or householders paying rates; "The council" is a byword for an incompetent, inefficient self-serving organisation. Rates reform is at best only a partial answer.

In business we don't allow cost centres to raise independent revenue from external customers, and only from internal users via centrally fixed charge-out rates. Annual budgeting in the light of forecast external revenue is fundamental to financial control.

So why on earth should local government have separate revenue-raising powers—whether by rates or otherwise? To ensure efficiency, councils should be cost centres with budget allocation made by central government, who in turn levy and collect tax revenue. Giving local authorities a set sum would concentrate their minds wonderfully on setting priorities and getting value for money. And it would quickly allow electors to judge which party could produce most for their money.

W. H. Bailey.
Cliff House, Llancarfan,
Barry, S. Glamorgan.

FINANCIAL TIMES

Friday July 10 1987

Marcos 'planned coup to kidnap Aquino'

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINE Government yesterday produced taped conversations showing that former President Ferdinand Marcos planned to buy around $20m of arms to stage a coup and take his successor, Mrs Corazon Aquino, as a hostage.

On Wednesday, US officials confirmed the existence of the tapes between Mr Marcos and a lawyer who was supposed to finance the arms sale.

Mr Marcos has lived in Hawaii since he was removed from power in a civilian-backed military revolt in February 1986. Philippine government officials played parts of the tapes to demonstrate their authenticity. They referred to an invasion force of 10,000 soldiers.

Official reaction in Manila has been muted with President Aquino simply thanking the US Government for its actions. The former president has been barred from leaving the US while Washington has conveyed its "concern" over his plans to destabilise the Aquino government and return uninvited to the Philippines.

Most analysts dismiss the coup plot as a flight of fancy by the former dictator and his wife, Imelda. American interests and relations with Manila would be so badly damaged should the Marcoses return to the Philippines uninvited that they would probably be physically restrained from leaving Hawaii.

Mrs Aquino has made clear in the past that Mr Marcos is not welcome in the Philippines yet, as his presence would lead to political instability. As a result the Government has been unable to file any criminal charges, as opposed to civil ones, against the former president for alleged theft of national wealth during his 20-year rule, because he would have to return to face the charges.

Rumours have circulated in Manila among loyalist and some military circles that Mr Marcos would return later this month to lead a coup, but these have been widely dismissed. Most analysts believe that even if a force of armed loyalists could land in the Philippines - and no-one can think what these soldiers, whoever they are, would use as a staging point for a landing - they would still not constitute a serious threat to the Aquino government at the moment.

Observers have been more puzzled by the timing of the State Department's exposure of the tapes, which they have had for five weeks, than by what many think was Marcos's ludicrous attempt to lead a coup.

Kurt Waldheim - questions over his war record re-opened old wounds many Austrians would have preferred to forget

The rise of Labour's young lions

Peter Riddell, Political Editor, looks behind the sweeping changes in Britain's main opposition party, typified by the rise of Bryan Gould (left) to the "Shadow Cabinet"

THE PARLIAMENTARY leadership of Britain's opposition Labour Party, which was roundly defeated at last month's general election by Prime Minister Margaret Thatcher's ruling Conservatives is undergoing profound changes.

The decades-long dominance of the centre/right in the party's "shadow cabinet". Labour senior spokesmen in parliament, has finally ended with a clear shift to the centre/left in the elections by the party's 229 MPs held earlier this week.

The centre/left-known as the Tribune Group and closely identified with Mr Neil Kinnock, the Labour leader, won nine places, including all six new entrants.

Traditionally, the Shadow Cabinet, which only exists when the party is in opposition, has been dominated by the centre/right while the mass of the party in the constituencies and the trade unions have leant further to the left.

But more significant than the shift away from the centre/right is the character of the new entrants– younger spokesmen in their 30s or early 40s like Mr Jack Straw, the former student leader, and Mr. Brian Gould, the man widely viewed as the architect of a highly polished election campaign. Mr. Gould easily topped the polls for the Shadow Cabinet with nearly double his votes last year and 33 ahead of the runner-up.

The new Labour leadership in Parliament are not only good performers in the House of Commons but also on television, conveying a reasonableness which does much to counterbalance the image of the party's radical left. Mr Gould's rise to a central position in the Labour leadership has been rapid, since he only entered the Shadow Cabinet (in 14th place) for the first time eight months ago. Previously, he had been in relative obscurity as spokesman on City of London and trade affairs, impressing with his expertise and debating skills, but not at the centre of the political stage.

Aged 48, Mr Gould has had an unusual career for a Labour leader. Born and educated in New Zealand, a Rhodes scholar at Oxford and then a law don, top in the diplomatic service exams he entered the Commons in October 1974.

He proved to be a thorn in the side of the leadership over a number of key issues such as the EC and devaluation of sterling. After losing his seat in 1979, Mr Gould worked as a television journalist before getting back into Parliament in the 1983 election.

He has succeeded politically not because of his connections, with no strong regional or trade union links, but because of intellect and charm, with a fair measure of self-confidence which critics at times see as bordering on arrogance.

Most of the other newcomers to the Shadow Cabinet also owe their success to their effectiveness as much to their position on the Tribune Group-named after the newspaper which expresses the views of the party's left-wing.

Like Mr Gould, the younger new entrants epitomise the new face which Mr Kinnock has been eager to portray– moderate, rational, non-ideological and, above all, concerned with winning power. They all regard the divisions of the 1979-81 period, when Mr. Tony Wedgewood-Benn, the outspoken left-winger was at the height of his influence as a nightmare never to be repeated.

Indeed, a feature of Mr Kinnock's leadership has been a desire to move away from previous sectarian battles– to turn the party outwards and to win support among the haves as well as the have nots.

By contrast with the hard-left, this group believes it is not enough to rely either on a "rainbow" coalition of ethnic and other minority groups in Britain's inner cities or on declining industrial areas in English regions, in Scotland or in Wales.

They have argued that Labour must appeal to the richer parts of Britain– previous party supporters in the south who have prospered under Mrs. Thatcher's policy of allowing tenants in local government houses to buy their homes and the public to own shares in state corporations which have since been privatised.

In a speech last weekend reflecting his leader's views, Mr Gould said that policies were needed that appealed to outsiders, and did not just commend themselves to internal committees and experts and which could not be sold to the electorate.

Labour's third successive election defeat has stimulated a lively debate among this centre/left group of Kinnock loyalists. For the present, they are united in rejecting any talk of electoral pacts with the "Third Force" Liberal and Social Democratic Alliance.

In Mr Gould's words, Labour can only look to itself for salvation by sharpening the focus of its policies.

Britain orders inquiries into takeovers

BY DAVID CHURCHILL AND CLAY HARRIS IN LONDON

THE UK Government yesterday took the unusual step of ordering Monopolies and Mergers Commission inquiries into two takeovers which succeeded earlier this year - in one case six months ago.

The two acquisitions which have been referred are:

- The £99.2m ($160m) purchase by Swedish Match of Wilkinson Sword from Allegheny International of the US. The deal in March united the world's largest and second largest makers of matches.
- The £36m offer by MAI, the financial services group, for London & Continental Advertising Holdings, which brought together Britain's two largest roadside poster contractors. MAI secured victory in the contested bid on January 8.

Lord Young, Trade and Industry Secretary, acted in both cases on the advice of Sir Gordon Borrie, director general of fair trading. Even though the acquisitions have proceeded, Lord Young has the power to order demergers if the Commission finds either deal to be against the public interest.

In the case of Swedish Match and Wilkinson, Sir Gordon decided that the combination of the two companies would decrease competition in the UK market for matches, worth about £100m a year at retail prices.

Wilkinson Sword's matchmaking subsidiary Bryant & May has about 55 per cent of the UK market, while Swedish Match has about 25 per cent. The rest of the market is mainly made up of East European exports, which are governed by quota controls.

The takeover of LCAH had been cleared in December by the Office of Fair Trading after MAI outlined plans to sell some of the combined group's poster sites to two other contractors, Arthur Maiden and Primesight.

Lord Young's decision yesterday followed OFT advice that the disposals had not taken place in the precise way promised by MAI. He specified, however, that the reference did not prejudge the issue of whether the merger would operate in the public interest.

Mr Clive Hollick, MAI managing director, claimed yesterday that the disposals had turned out only marginally different from plans. However, MAI had received only £7m from Maiden compared with the original target of £10m.

MAI had reduced its share of sites to the agreed level, but there had been fewer hoardings available than expected to sell to the other companies. Maiden and Primesight had also taken a different mix of poster sites than originally envisaged.

Mr Hollick said that MAI had not been asked to give any interim undertakings and that it would be allowed to run the merged business as normal during the inquiry.

The reference also will not prevent MAI from bidding for British Transport Advertising, the poster concession which British Rail has put up for sale.

Lord Young ordered the Monopolies Commission to report on Swedish Match within three months and MAI within four months.

US not to retaliate

Continued from Page 1

strengthen our sense of urgency in seeking a United Nations Security Council resolution to end the (Iran-Iraq) war,' Mr Fitzwater said, adding that the incident would not change Washington's decision to put American flags on 11 Kuwaiti tankers. The first re-flagged tanker is expected to be escorted through the Gulf shortly, perhaps as early as next week.

News of the attack came as the US Senate narrowly rejected by 57 votes to 42 a non-binding resolution calling for the Administration to shelve temporarily its decision to re-flag the Kuwaiti vessels.

Radiation standard challenged

PHYSICISTS may have long underestimated the effects of nuclear fall-out on the human body because they used the wrong standards to measure radiation doses at Hiroshima and Nagasaki, a joint US-Japanese team said yesterday, **Reuter reports from Tokyo.**

Using a new standard, researchers found that the atomic bomb at Hiroshima emitted only one tenth the amount of neutron rays previously believed to have bombarded victims, according to the final report by a team of 50 scientists from the two countries.

But the doses of gamma rays, the other form of radiation harmful to the human body, were two to 3.5 times bigger than those earlier thought to have pierced people and buildings at Hiroshima, the researchers in the five-year joint government project found.

The exact doses of these two forms of radiation at Hiroshima and Nagasaki are unknown because accurate instruments to measure them were not available in 1945.

However, estimates of such rays at the two bombed cities have been widely used to write accepted health and safety standards regarding nuclear fall-out and other forms of exposure to radiation, such as those for nuclear power plants.

'International health and safety standards would have to be rewritten, but not drastically, because most of them have taken into account very wide error margins,' said Mr Shimpei Ozaki, the technical officer from Japan's Health and Welfare Ministry in charge of the project.

Researchers also found that houses and other structures were twice as effective as previously thought in blocking the two forms of radiation, according to the final report of the US-Japan Joint Reassessment of Atomic Bomb Radiation Dosimetry in Hiroshima and Nagasaki.

Mr Ozaki said the previous assessment standard was obtained through a series of nuclear experiments in Nevada in the early 1960s.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	25	77	Malta	S	29	84	Rhodes	S	27	81
Algiers	S	28	82	Edinburgh	F	16	61	Manchester	F	18	64	Rio de J'o	C	31	88
Amsterdam	F	16	61	Faro	T	23	73	Manila	S	33	91	Rome	S	31	88
Athens	S	27	81	Florence	C	23	73	Melbourne	S	15	59	Salzburg	C	17	63
Bahrain	S	39	102	Frankfurt	C	19	66	Mexico City	C	23	73	San Francisco	C	22	72
Bangkok	S	33	91	Funchal	F	22	72	Miami	C	31	88	Seoul	S	31	88
Barcelona	F	27	81	Geneva	S	23	73	Milan	S	29	84	Singapore	S	32	90
Beirut	S	28	82	Gibraltar	F	25	77	Montreal	C	29	84	Stockholm	F	18	64
Belfast	C	15	59	Glasgow	F	16	61	Moscow	S	24	75	Strasbourg	S	22	72
Belgrade	S	28	82	Guernsey	S	18	64	Munich	C	20	68	Sydney	S	17	63
Berlin	F	19	66	Helsinki	C	18	64	Nairobi	F	21	70	Taipei	S	35	95
Biarritz	C	23	73	H. Kong	S	31	88	Naples	F	29	84	Tangier	F	25	77
Bombay	F	31	88	Innsbruck	F	18	64	Nassau	S	31	88	Tel Aviv	S	30	86
Bordeaux	S	26	79	Inverness	C	15	59	New Delhi	S	39	102	Tenerife	F	25	77
Brussels	S	19	66	Islamabad	S	39	102	New York	C	29	84	Tokyo	R	28	82
Budapest	F	29	84	Istanbul	S	26	79	Nice	S	27	81	Toronto	C	31	88
B. Aires	C	15	59	Jakarta	S	34	93	Nicosia	S	32	90	Tunis	S	32	90
Cairo	S	32	90	Jersey	F	20	68	Oporto	S	27	81	Valencia	F	29	84
Cape Town	S	24	75	Jo'burg	S	16	61	Oslo	C	13	55	Venice	S	23	73
Caracas	R	24	75	Lima	C	19	66	Paris	F	23	73	Vienna	R	17	63
Casablanca	C	27	81	Lisbon	S	31	88	Peking	C	27	81	Warsaw	R	19	66
Chicago	C	32	90	London	S	21	70	Prague	F	18	64	Washington	-	-	-
Cologne	F	19	66	Los Angeles	C	23	73	Reykjavik	F	13	55	Zurich	F	21	70
Copenhagen	C	13	55	Luxembourg	F	17	63								
Corfu	S	28	82	Madrid	S	32	90								
Dallas	-	-	-	Majorca	S	31	88								
Dublin	C	15	59	Malaga	S	29	84								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Irangate officials 'saw North shred documents'

Continued from Page 1

White House running covert operations around the world.

Turning to his controversial and probably illegal role in secretly arming the Nicaraguan Contra rebels between 1984 and 1986, Col North said it would never have been necessary if Congress had not cut off funds over that period.

The 43-year-old Vietnam war veteran said there were parallels between US withdrawal from Vietnam and the precarious US commitment to the rebels fighting the Communist regime in Nicaragua.

In a clear attempt to gain public sympathy for his cause at the live broadcast hearings, Col North cast doubts on their fairness.

'You,' he declared jabbing a finger at the assembled 26 House and Senate members of the Committee, 'will not investigate yourselves. It's like a baseball game in which you are the players and the umpire.'

Austrians stirred by painful memories

By Judy Dempsey in Vienna

FEW OUTSIDERS could have begun to understand what was taking place at Stephansplatz, the heart of Vienna where people gathered, first out of curiousity, then to listen and to argue.

The exchanges were sometimes bitter, extreme and emotional. "Auschwitz did not exist, it is all propaganda," a middle-aged man shouted at a young student. "We must learn to remember, not to suppress our past," a young woman pleaded. "Leave Waldheim alone, he was only doing his duty," an old woman demanded of a bewildered crowd.

There were no loudspeakers, no platforms, no banners. The atmosphere was a little like London's Hyde Park Corner, an unknown phenomenon in Austria where many people are often reluctant to speak out. The *Mahn Wache* (memory watch) might however unlock that strange silence which has been characteristic of the Austrian postwar period.

The *Mahn Wache* was set up four weeks ago by a small group of intellectuals who have been keeping a 24-hour vigil in front of a stone implanted in St Stephen's Cathedral marked 05 - a code word for Austria in German - which was the meeting place of the Austrian Resistance during the Second World War.

The watch began on June 8, exactly a year after Mr Kurt Waldheim was elected President, and ended on Wednesday evening, July 8, a year since the day Mr Waldheim was inaugurated as President.

Mr Waldheim's year as President has provoked a bitter and often painful debate in Austria about whether or not he was involved in war crimes. The *Mahn Wache*, however, was not set up to judge Mr Waldheim. It was set up to confront the past: to revive individual and collective memory.

"There's a bad silence about our past," said Mrs Friedrun Huemer, one of the organisers of the *Mahn Wache*. "People do not ask about the Resistance, about the murder of the Jews. Forgetfulness is awful." Mrs Huemer thinks that the *Mahn Wache* has posed many questions - and released emotions - about the meaning of Austrian identity.

"It is the first time we could talk openly, where we could ask questions about what happened during the war, about feelings during the German occupation, about the destruction of the Jewish side of our culture," a 35-year-old secretary said. "We never had to ask questions about it."

Mr Daniel Charim, one of the younger generation of Austrians who has repeatedly called for tolerance and the revival of memory, believes the *Mahn Wache* represents something essential to Austrian history.

He said: "This country is so disorientated when it comes to discussing its past. After the libera tion in 1945, we were referred to by the allies as the first victims of Nazism. There was no need for a moral cleansing. People have forgotten the Resistance, about the war. Our national holiday is not the liberation of Austria in 1945 but the independence of Austria in 1955."

The *Mahn Wache* has gone some way to opening up the past, although there are many Austrians who feel that old wounds should not be reopened. There lies the core of what the *Mahn Wache* really means.

"Austria never healed its wounds, but allowed them to fester unattended. The Waldheim affair has shown just how deep the wounds are," a young Austrian historian explained.

The 50th anniversary next year of the *Anschluss* - the union of Austrian and Germany in 1938 - might see the slow but painful beginning of memory prevailing over "forgetfulness."

THE LEX COLUMN

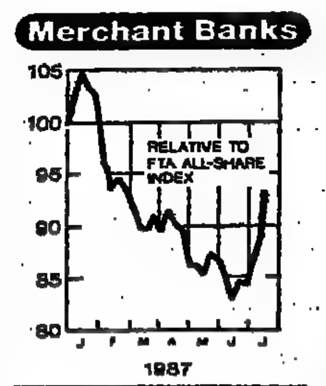
Gnome, sweet gnome

Once the City of London had embraced the principles of deregulation and internationalism, the takeover of a UK merchant bank was almost inevitable. Nor should the introduction of foreigners to the Accepting Houses Committee - in any case pretty much an anachronism - be regretted just for the sake of chauvinism. Hill Samuel's talks with Union Bank of Switzerland, which look set to result in an agreed bid for the former, ought to create a stronger, better capitalised UK group more able to compete in world markets than Hill Samuel could alone.

Mr Christopher Castleman's sudden gesture of removing his gloves and leaving the field is understandable given his frequently expressed desire to stay independent. But UBS is a far different proposition to the unwelcome shareholders in *Hill Samuel. And the reality is* that Hill Samuel did not have sufficient muscle to go it alone when tougher times come, as no doubt they will.

Combining Phillips & Drew with Wood Mackenzie is likely to be traumatic; no two large brokers have ever merged happily and the two firms' styles are strikingly different. But there is a deal of sense in putting the fund management businesses together, and there is far more to Hill Samuel than merchant banking, which will give UBS a broad spread in UK financial services. And if Hambros is right about a wave of pan-European merger activity, a Swiss/UK combination should have something to offer.

There is a lesson here for the rest of the merchant banking community which was not lost on the market yesterday. Aside from the small niche players, those banks which are not well-capitalised, international ones must either become such soon or expect a bid. Agreement will extract a premium price and if Hill Samuel goes for 700p or more, some of the others are still undervalued.



Thorn EMI

Companies which have just completed takeovers do not have a monopoly on creative accounting. As Thorn EMI shows, it is also possible to have a field day with disposals. For example, the sale of the old HQ, Thorn EMI House, was brought in above the line, as was the sale of a share stake in Myson. Together these were worth £27m at the pre-tax line. For *some reason the £10.8m sale of* shares in Thames TV was not included in pre-tax profits, so *there are limits to Thorn's* opportunism. These anomalies were probably the cause of yesterday's wild gyrations in the shares, as the market attempted to make sense of the information: after an initial 44p jump to 825p, they closed just 17p up at 798p.

In fact the figures did not require dressing up to look attractive. Almost all the continuing businesses put in performances which justified Thorn's tag as a recovery stock, although there is some doubt as to the ability of the company to continue growing at the same speed; the tripling of profits in the music business is also a reminder of its volatility, while the 30 per cent increase in rental profits can not disguise the fact that the client base is shrinking.

Inmos reduced its losses from about £17m to £10m, but it seems that this recovery was in reality just the reduction in Inmos's depreciation charge, the result of the previous year's write-downs. But at least Inmos - the most successful of the Government's privatisations - is now in the books as having negative worth. So if Goldman Sachs finds someone willing to pay a positive number for the business, there should actually be a credit, which even Thorn must describe as extraordinary.

If Thorn manages to make £200m this year, then the share price is on a multiple of 15 times earnings. The mix of businesses does not justify more than this middle-of-the-road rating.

Consol'd Gold Fields

Rembrandt's unrefusable offer for 10 per cent of Gold Fields of South Africa has scuppered the conventional wisdom that assets in that country cannot be sold at a premium. The offer's acceptance is also likely to mark the beginning of a greater divestment by Consolidated Gold Fields, albeit at a slow pace. The structure of the deal allows Gold Fields to retain effective control over its pre-sale 48 per cent stake in GFSA, while also providing a straightforward means for handing over a further 20 per cent.

The sale (on a multiple of 16) is unlikely to be much better than earnings neutral in the first year, but the popularity of *divestment, along with the lower gearing*, produced a predictable bounce in the Gold Fields share price. Despite a few stories to the contrary, it seems improbable that the rise reflects a belief that the company has become more susceptible to takeover; particularly as the £50m pre-tax profit from the deal will probably be taken above the line, thus providing a useful screen behind which to conduct some surgery. Precisely where the assets will be redeployed over the longer-term is still unclear but judging by the latest pamphlet from the Centre for Policy Studies it could be the British coalfield.

Merger policy

The referral of the MAI bid for London & Continental Advertising to the Monopolies Commission six months after the takeover was completed, and following an original OFT clearance, is one of the more bizarre twists in the tortuous evolution of British merger policy. The objection from the DTI is that MAI has not divested itself of part of its share of the poster market in exactly the manner agreed with the OFT. Yet MAI has complied with the essential requirement, which was to bring its market share down to 28 per cent. Perhaps the Government wants to discourage the whole practice of bidders' plea-bargaining with the OFT: the only other successful example resulted in the Guinness bid for Distillers not being referred.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Friday July 10 1987

Benetton unveils move into financial services

BY ALAN FRIEDMAN IN MILAN

BENETTON, the Italian clothing group, has unveiled details of its plan to diversify into financial services and merchant banking.

The casual clothing producer, which last year had L540bn of leasing and factoring business as well as more than L1,000bn ($752m) of turnover from 4,000 shops in 57 countries, recently recruited Mr Giovanni Franzi, a former investment banking officer at Merrill Lynch in London, to become managing director of In-holding, its newly formed financial services company.

The Milan-based In-holding is fully owned by the Benetton family's Edizione SpA vehicle and will be capitalised at L100bn ($75.2m) by year-end.

The 44-year old Mr Franzi, best known in the Euromarket for having organised the jumbo $1bn Republic of Italy floating rate note in 1985, is charged with putting together a financial services group which aims to achieve within the next couple of years business equal in size to the clothing side of Benetton.

At In-holding Mr Franzi will preside over subsidiaries involved in mutual funds; personalised portfolio management; insurance products (Benetton owns 37 per cent of the Italian associate of Britain's Prudential); securities underwriting; currency and interest rate swaps (In-holding has hired swap specialists from Citibank); the flow of outward investment from Italy (which takes advantage of recently relaxed rules on foreign investment) and corporate finance in general.

Mr Franzi has already negotiated a partnership between In-holding and Merrill Lynch in venture capital, a sector which is still relatively new in Italy. He is expected to develop a merchant banking business in conjunction with three Italian regional banks (including Credito Milanese) in which Benetton owns minority shareholdings.

In addition, In-holding will build a retail distribution network in Italy for its financial products. This subsidiary, which hopes to have 100 agents in place by year-end (and 300 next year), is called In Capital Investments.

Benetton, which expects clothing revenues of L1,300bn this year, was quoted on the Milan bourse last year and is hoping to secure a listing on Wall Street soon. The diversification into financial services was originally the idea of Mr Aldo Palmeri and Mr Carlo Gilardi, two ex-Bank of Italy officials who are, respectively, Benetton group managing director and finance director.

Fondiaria boosts profits by 58%

By Our Milan Correspondent

LA FONDIARIA, the Florence-based insurance company which is controlled by the Montedison Chemicals concern, yesterday unveiled a 58 per cent jump in its consolidated net profit for 1986, to L95bn ($71.5m).

The profit was struck on consolidated premiums of L1,713bn ($1.3bn) up 14.5 per cent on the previous year. This makes Fondiaria Italy's fourth biggest insurer. Total premiums net of reinsurance rose 23.5 per cent last year, to L1,570bn.

Montedison's acquisition of effective control of La Fondiaria last year shocked the old-guard Italian business establishment because Mr Mario Schimberni, Montedison chairman, bought a crucial share packet without asking "permission" from Mediobanca, a minority shareholder in Fondiaria.

Mr Gianni Agnelli, chairman of Fiat and the leader of the old-guard of Italian capitalism, was furious at Mr Schimberni and pronounced the acquisition "diabolical."

Last week a Milan magistrate informed Mr Schimberni and three other board members of Meta, the Montedison subsidiary which controls Fondiaria, that they are being investigated for alleged breaches of Italian exchange control regulations.

The enquiries are focused on the purchase of a 12.5 per cent equity stake in Fondiaria, which is said to have been bought initially by Swiss and other foreign banks and then passed to a Milan stockbroker who sold it to Meta.

Montedison has argued that the investigation is "unfounded"

Wolters Samsom offer for Kluwer disappoints

BY LAURA RAUN IN AMSTERDAM

DUTCH PUBLISHER Wolters Samsom yesterday unveiled its friendly takeover bid for Kluwer, its bigger rival, but only just lived up to its promise of topping a competing offer from publisher Elsevier.

Wolters Samsom is offering two of its common shares plus one newly-issued convertible preferred share and Fl 50 ($24) in cash for one Kluwer share – a bid that exceeded Kluwer's closing price of Fl 422 by Fl 3 a share.

Elsevier's hostile bid, meanwhile, moved closely in tandem with Kluwer and ended the day at Fl 423 a share, or only Fl 2 behind Wolters Samsom's offer.

Kluwer, the third largest Dutch publisher, is now valued at more than Fl 1bn exclusive of preferred stock.

Wolters Samsom, Kluwer's white knight and the fourth biggest publisher, had promised last week to sweeten its initial offer so as to better Elsevier's unfriendly bid but was facing growing scepticism over a merger.

Many investors have doubts about whether Wolters Samsom can afford Kluwer now that it has soared in value amid the vicious takeover battle.

Wolters Samsom added Fl 50 a share and substituted one cumulative preferred-dividend share, convertible into one ordinary share, for a common share in the original offer (of three ordinary shares) in an effort to avoid earnings dilution.

Earnings will be reckoned only on common and not convertible preferred stock so that per share earnings will not be affected until conversion.

Investors will be discouraged from converting "in the first few years" by a dividend that is more than double the one for ordinary shares, the two companies said yesterday.

They also noted that after a possible merger "net equity will represent 30 per cent of the balance sheet total," – a healthy ratio that would assure access to the capital markets on favourable conditions.

Wolters Samsom said it would go through with the takeover if it acquired more than 97 per cent of Kluwer's common stock and would reserve the right to drop the offer if less than 97 per cent were tendered.

Shares from hostile holders (such as Elsevier, which owns at least 24 per cent of Kluwer common) may be refused.

The tender offer result will be announced on July 31, when Wolters Samsom will say whether it will go through with the takeover. It already owns 29 per cent of Kluwer through a package of preferred shares and the two companies remain committed to fending off Elsevier.

Austria to privatise electricity industry

By Our Financial Staff

AUSTRIA plans to raise Sch 8bn ($620m) through a privatisation of the country's electricity industry.

Mr Robert Graf, the Economics Minister, said the plan involved selling up to 49 per cent of Oesterreichische Elektrizitaetswirtschaft, the national distribution company known as the Verbund, as well as 49 per cent of Austria's eight major power production groups.

The divestment is part of government plans to raise funds through sales of minority stakes in companies and banks, including Creditanstalt, the leading local bank.

Under the two-part plan, Verbund would buy the state's stakes in the eight electricity producers, for Sch 6bn by November this year.

Verbund would then sell shares to investors over the next five years, but it would keep 51 per cent holdings in line with Austria's privatisation law passed by parliament last week. Under the plan, 49 per cent of the Verbund itself would be sold, raising a further Sch 2bn.

One third of Verbund's shares would be offered on preferential terms to Austria's provincial power companies. Remaining shares would be available to private investors.

Olivetti PC for overseas markets

By Our Milan Correspondent

OLIVETTI, the Italian office automation group, has announced details of a new company which will manufacture and distribute home computers outside Italy.

The new company, with an initial capital of L10bn ($7.5m) is called Prodest International. It will be based at Ivrea in Piedmont, while its factory will be at Pozzuoli, near Naples.

Mr Giorgio Florenza, managing director of Prodest, says from Milan that the company plans to compete on the international market with low-cost home computers to be sold mainly by retailers.

Mr Florenza recently unveiled the PC-1, which he said was the first Italian-built MS-DOS compatible home computer. It will sell for around $810.

Stefanel bourse issue to raise L140bn

BY OUR MILAN CORRESPONDENT

STEFANEL, the Italian casual clothes producer, is planning to raise L140bn ($105m) with a debut share issue on the Milan bourse.

More than a third of the flotation of 25 per cent of Stefanel's total equity will be placed internationally in a deal being lead-managed by Swiss Bank Corporation (SBC) in London.

The operation, scheduled for September, will see SBC targeting 6m of the 16m shares on offer to investors in the UK, France, West Germany and Switzerland.

In Italy, the domestic tranche will be handled by Mediobanca, the Milan merchant bank.

The price of the Stefanel shares will be between L8,100 and L8,800, depending on market conditions. In recent weeks the Milan bourse has been extremely weak and, with continuing political uncertainty in Rome, there are few prospects of an immediate upturn.

The Stefanel share issue would capitalise the Treviso-based company at L560bn, around half the market value of Benetton.

Stefanel, which is planning to expand its network of around 550 franchised outlets in Italy and 150 abroad, is forecasting a 1987 group net profit of around L36bn on sales of L220bn. Last year the group made a L27.5bn net profit on consolidated group turnover of L172.3bn.

Klöckner hopes to break even for current year

By Our Financial Staff

KLÖCKNER-WERKE, the West German steel group, expects to break even or post a small parent-company loss for the current year, after breaking even last year, according to Mr Herbert Gienow, board managing director.

He was speaking at an extraordinary shareholders' meeting where approval was given for plans to reduce and subsequently increase Klöckner's capital in the wake of DM 380m ($206m) losses from the failure of a former steel subsidiary. Mr Gienow said the capital restructuring would help Klöckner to stabilise earnings.

Klöckner's capital will be restored by a rights issue.

Veba sees unchanged first-half earnings

BY OUR FINANCIAL STAFF

VEBA, the recently privatised West German energy and chemicals group, has reported first-half earnings in line with last year's results.

Mr Rudolf von Bennigsen-Förder, the managing board chairman, told the annual meeting that Veba expected to pay a dividend for 1987 which was at least as high as the DM 10 paid in 1986. He gave no figures for half-year results, but said earnings both before and after tax were around last year's levels.

Veba reported a group net profit of DM 303m ($164m) in the first half of 1986 and a pre-tax profit of DM 778m.

Results of Veba's individual divisions have developed satisfactorily except for mineral oils, where earnings this year were slightly below last year's levels, Mr von Bennigsen said. He expected this sector to match last year's levels by the end of 1987.

He rejected suggestions that Veba's near 40 per cent stake in the troubled Ruhrkohle would threaten the company with financial risks. At the very worst, it could lose the book value of its stake, which at end-1986, stood at about DM 55m.

Mr von Bennigsen stressed that Veba planned to write down further the book value of its Ruhrkohle stake.

Veba intended to invest DM 19bn in the next five years to expand profitable activities and create new business areas.

Hero stake in pasta makers

HERO CONSERVEN Lenzburg, the Swiss confectionary group, has acquired a majority stake in pasta manufacturers Robert Ernst of Kradolf and Gebrueder Wellenmann of Winterthur.

Hero said the two companies and a third, Adolf Montag of Islikon, which they jointly acquired last year, had a combined annual turnover of about SFr 40m ($26m) and employed 216 people.

Swiss union offers promotion to big league

SPECULATION ABOUT a change of ownership has swirled around Hill Samuel for so long that the announcement of a serious bid approach came as no surprise yesterday. The unexpected part was the identity of the would-be purchaser, Union Bank of Switzerland, whose name now joins a list which has at times included Merrill Lynch, numerous antipodeans and even, many years ago, Mr Jim Slater.

Hill Samuel's vulnerability has little to do with any weakness in its performance: under its youthful chief executive, Mr Christopher Castleman, it has rebounded strongly from near oblivion in the 1970s with profits rising sixfold in that time. But unlike many other merchant banks, its ownership is widely dispersed; there are no big family or institutional shareholdings.

For outsiders wanting to get a stake in the booming City market, or for those wanting a good punt, Hill Samuel was an obvious choice.

As City merchant banks go, Hill Samuel is one of the most diverse. Although it has a prestigious name, it is top of the second league rather than a first ranker, and it almost makes a point of being unglamorous. Its headquarters in Wood Street have the workaday look of a government department with noisy lifts and long corridors, and it does not cultivate "stars" like some rival houses.

The core of the group is Hill Samuel and Co., the accepting house, which has a thriving banking, corporate finance and securities business. This is closely linked to Wood Mackenzie, the stockbroking firm which Hill Samuel bought for last year's Big Bang, and for which new accommodation had to be built in an open space at the back.

Grouped round this core is—for a merchant bank—an unusually large range of activities which include insurance broking, employee benefits, shipping services and investment management services. Some of these might well be ripe for sell-off by a new owner to realise some cash and give the group a sharper focus on the financial markets.

Altogether the group employs 8,400 people. Its profits last year were £42.9m ($69.4m). This was an increase of only 5 per cent on the year before, but Mr Castleman blamed the modest rise on the high cost of preparing for the Big Bang.

Mr Castleman was only 39 when he became chief executive in 1980 with a reputation as a thorough organiser with a passion for hard work, numbers

and good controls. He was famous for attending briefings with thick ledgers bulging with figures and management reports.

But critics said that his obsession with the mechanics of the business prevented him from developing any great strategic vision for Hill Samuel. While the group became more efficient and profitable, and made a good acquisition in Wood Mackenzie, it never achieved the brilliance of some of its rivals, or conveyed a sense that a master plan was driving it forward.

Not having made it to the top ranks or possessing the global aspirations of larger investment banks like S. G. Warburg and Kleinworts, yet being too large to count as a "niche" player, the group seemed in danger of falling between two stools.

This was clearly the thinking behind the board's decision to consider UBS's approach. "We felt this was the big stride forward we could take," Sir Robert Clark, Hill Samuel's chairman said yesterday. "It would have been a long hard struggle carrying on as we were."

If UBS can successfully combine its London securities operations, which include Eurobond markets activities and Phillips & Drew, the large broking firm it bought for Big Bang, with Wood Mackenzie and Hill Samuel's other capital markets business, the result would be one of the most powerful securities operations on the London scene. But the chances of such a combination occurring smoothly must be small.

It is also clear from the discussions UBS has had with Hill Samuel's board that if the deal

Christopher Castleman: dramatic resignation

goes through, the Swiss will use London as a substantial base for their worldwide securities, investment banking and investment management business. The message is that UBS would view the purchase as the start of a phase of expansion rather than rationalisation.

The deal will give Hill Samuel access to UBS' investor base on the Continent, as well as to its growing investment banking businesses in New York and Tokyo, both places where Hill Samuel could never hope to get established on its own.

Although UBS has not yet promised any great new injections of capital, such a boost must be likely for Hill Samuel, which has disclosed financial resources totaling £335m, about half that of leading merchant banking groups. Although, these grander prospects should also attract better clients and, presumably, top quality staff. "The combined group will be able to attract more than the parts can by themselves," said Sir Robert.

Nevertheless, Mr Castleman's dramatic resignation points to the dangers of such an alliance. Although UBS will undoubtedly give solid pledges about Hill Samuel's continued independence (it has said it wants to keep the name alive), the bank will also institute strong controls which could stifle the spirit in Wood Street. It is true that UBS's alliance with Philips & Drew appears to be working, and that bodes well for Hill Samuel.

But acquisitions of service companies often encounter personality and control problems. And it already appears that Hill Samuel would cease to operate as a group, and each of its activities, notably banking and securities, would report through to different offices back in Zurich.

The deal is far from clinched, of course. UBS still wants to learn more about the non-banking side of Hill Samuel before making up its mind on a price. And more talent could decide to follow Mr Castleman's departing footsteps. The possibility of some counterbid exists, though this is unlikely to come from the group of Australians which owns 27 per cent of the shares.

These are FAI, the motor insurance group controlled by Mr Larry Adler with 14 per cent, Mr Kerry Packe's Consolidated Press with 12 per cent, and one small shareholding of 1 per cent. These stakes are generally believed to be speculative rather than strategic, and should yield to a good price.

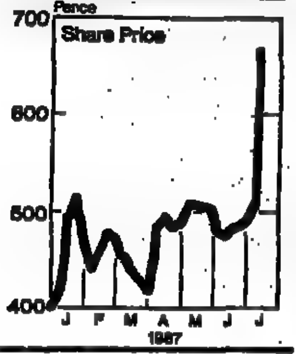
David Lascelles

Accepting houses forced to think again

IF UBS-Hill Samuel deal goes through it would be the second large foreign banking acquisition this week, following Midland's disposal of its Irish and Scottish subsidiaries to National Australia Bank.

The deals come just as the UK is bringing into effect the new Banking Act which requires formal Bank of England approval for foreign acquisitions, based on the "fit and proper" test. Neither deal is expected to encounter major problems because the buyers are both highly respected banks. The Bank would not comment yesterday except to say that it was being kept informed.

The Hill Samuel deal, however, will hasten a review of membership policy by the



Accepting Houses Committee, the exclusive merchant banking trade group to which Hill Samuel belongs.

The AHC's rules require members to be independent and British. However, these have already been bent to allow two accepting houses to remain members even though they are owned by clearing banks. They are Samuel Montagu (owned by Midland Bank) and Charterhouse (Royal Bank of Scotland).

Mr Robin Hutton, the AHC secretary, said yesterday that a review of the rules had started. This would now be broadened to consider any cases where accepting houses become foreign-owned.

"Some of our rules are inappropriate. This is a recognition of the reality of life," he said. He noted that the majority of AHC members' business was no longer in London or even in sterling.

Although membership of the AHC carries some prestige and an implied close link to the Bank of England, it has ceased to have any practical importance. Because of this, the AHC has become keener to retain its members rather than ask them to leave, as it did when Antony Gibb was bought by the Hongkong and Shanghai Bank in 1980.

D. L.

Ambition to play lead role

UNION BANK of Switzerland (UBS) is the youngest, biggest and—in recent years—the most aggressive of the big five Swiss banks.

Sometimes known as "the colonels' bank" because of the large number of high-ranking officers from Switzerland's militia army in its top management, it has, over the past seven years, expanded abroad with staff-college precision.

Mr Nikolaus Senn, chief executive, has voiced his determination that UBS should take its place among the leading players in the emerging global market for financial services.

Mr Robert Studer, 49, who will take over as chief next year, made it clear when his appointment was announced that the campaign would be vigorously continued. UBS was "only waiting to pick up brokerage houses" expected to go under in the cut-throat competition following London's Big Bang, Mr Studer remarked confidently at the end of last year.

Put in charge of UBS's finance division at the age of 42, Mr Studer was responsible for planning and executing the bank's acquisition of Philips & Drew, the London broking house, in 1985.

A "universal" bank that offers a full range of commercial and investment banking services including a large portfolio management operation, UBS has concentrated its foreign expansion on the wholesale side, going for capital market and securities business.

London was its first target, but it has also entrenched itself in New York and Tokyo, bought a bank in Frankfurt after the West Germans had opened the way for foreigners to join in capital market operations and, more recently, established an investment banking business in Australia.

UBS Securities, set up in London in the 1970s, has become one fo the biggest houses underwriting Eurobonds and other internationally offered securities. A new office building is under construction to house it and Philips & Drew.

Robert Studer: vigorous campaigner

New premises are also going up in New York, where UBS Securities Inc is a member of the New York, American and Boston stock exchanges and expects substantial growth in securities trading. Its foreign exchange operations are being expanded and it has already become a significant issuing house for US companies on the capital market.

In Tokyo UBS has used Philips & Drew to obtain a licence for most forms of securities business. It pressed the Swiss federal authorities strongly to insist that Japan had to start reciprocating for the increasing amount of business done in Zurich and Geneva by Japanese banks and securities houses.

This foreign expansion has entailed a high, though undisclosed, level of investments in the past few years. Spending is expected to continue until the end of the decade. It has been accompanied by a substantial increase in staff, to around 20,000 people worldwide.

So far this spending has not affected profit growth. Mr Senn stresses that UBS's expansion is underpinned by solid capital strength. Bank Vontobel, the Zurich-based investment bank, estimated that UBS had hidden reserves of around SFr 8bn ($5.2bn) at the end of last year, which would have effectively brought the equity available up to SFr 16bn.

In April the annual meeting approved a SFr 275m increase in share capital, including a one-for-20 rights issue. Assets reported at the end of March totalled SFr 153bn. The foreign share of assets has been about half for the past two years but expansion abroad has been largely in the more profitable off-balance-sheet business.

Using its own measure of net profits, which it claims is more in line with US practice, Bank Vontobel calculated that UBS had enjoyed an average annual increase of 24 per cent in the period 1981-85, followed by a further 19 per cent rise in 1986.

Net earnings rose 12 per cent in 1986 to SFr 776m. UBS paid shareholders an unchanged dividend of SFr 120 per bearer share with a SFr 40 bonus added to celebrate its 125th anniversary.

Like most Swiss banks, UBS has avoided heavy exposure in lending to developing countries. It has built up loss provisions of at least 30 per cent on its Latin American portfolio, which in any case is estimated to amount to less than 3 per cent of total assets.

William Dullforce

Tie-up to form largest SE member

THE PROPOSED merger of Phillips & Drew and Wood Mackenzie, the two stockbroking and securities subsidiaries of Hill Samuel and the Union Bank of Switzerland, would create by far the largest member firm of the London Stock Exchange.

The outcome of the merger should also provide some answers to the key strategic questions that has been preoccupying securities firms during and since the Big Bang deregulation of last year: Are there further advantages to be exploited by forming bigger securities firms, to match the US and Japanese giants, or have smaller firms, which have not attempted to cover both stockbroking and market-making in all sections of the market, kept a competitive edge?

The UK precedents in favour of the bigger-is-beautiful argument are not encouraging. Two other mergers, of Scrimgeour Kemp Gee with Vickers da Costa under the ownership of the US bank, Citicorp, and of Simon and Coates with Laurie Millbank under the Chase Manhattan umbrella, led to large-scale departures of staff and simmering internal tensions, although in recent months these have relaxed.

Between 1983 and 1986, the conventional wisdom in the Stock Exchange was that large firms had to develop dual capacity in broking and market-making with the backing of a large bank. However two of the three leading firms which followed more limited aims, James Capel and Smith New Court, have done outstandingly well since Big Bang.

One argument that has often been applied against proposals to merge large broking firms is that institutional investors do not like to place a high proportion of their commission business with a single stockbroker. Phillips & Drew and Wood Mackenzie combined may thus lose some of the 10 to 11 per cent share of all UK equity stockbroking commission revenue that in recent months they have been able to generate as separate entities.

However, the counter arguments were presented to the Hill Samuel board shortly before it was approached by UBS in a paper which was strongly influenced by Mr John Chiene, the former senior partner of Wood Mackenzie, who was one of the most enthusiastic proponents of the merger.

To provide a comprehensive investment and corporate finance service both to institutional investors and to industrial companies, the argument goes, securities firms need to call on large amounts of capital and a wide range of expertise. Ideally a firm should have analysts covering the whole range of industrial sectors, in the UK and overseas.

It should also have the capital backing to allow it to take on large tranches of equities and major underwriting commitments. Ironically, one of the teams of banking analysts which commented favourably on Hill Samuel's lack of capital backing in recent weeks was that of Phillips & Drew.

With the backing of UBS, Phillips & Drew has gone for a "water-front" approach, seeking to cover almost all the UK industrial sectors. It also built up a large market-making team which makes markets in about 400 stocks, and for many years has had one of the largest pension fund managment operations in the UK with more than £6bn ($8.9bn) under management.

Its directors wished to speed up its growth bu buying a merchant bank and this was one of the factors which led to the approach to Hill Samuel by UBS.

By contrast, Wood Mackenzie has been "cherry-picking" a limited number of industrial sectors, in which its analysts have generally won high ratings. It has a particularly strong contingent of actuaries and mathematicians. Its market-making activities have been small and generally used to support its broking.

About 80 per cent of revenue comes from commissions. It has only a small presence in the gilts market, while Phillips & Drew has become one of the three largest players.

Clive Wolman

INTL. COMPANIES and FINANCE

Shake-up and $350m charge at US Sprint

BY JAMES BUCHAN IN NEW YORK

US SPRINT, the joint venture between GTE and United Telecommunications battling to break into the US long-distance telephone market, is shaking up its senior management amid evidence of chaos in its procedures for billing customers.

Mr Charles Skibo is resigning as president. He has led the $2.6bn ventur eover the year since GTE and United Telecom decided to pool their operations in the fiercely competitive long-distance market. He is to be replaced by Mr Robert Snedaker, former vice-chairman of United Telecom.

GTE and United Telecom also said yesterday that they would share a $350m charge which will hit US Sprint's second-quarter pre-tax earnings. This arises from uncollectable invoices and the write-off of the joint venture's microwave telecommunications system, which has become obsolete.

Because of gains from pension funds, the effects on GTE second-quarter earnings will be only $55m. At United Telecom, the charge is $109m. Both stocks rose modestly on the news.

Neither GTE nor United Telecom, which are shouldering losses of about $200m a quarter from US Sprint's struggle to wrest customers from industry giant AT&T and MCI, would comment on the reasons for Mr Skibo's departure.

However, Wall Street analysts say that yesterday's $76m increase in provisions against uncollectible bills is a symptom of management problems as well as rapid growth.

"The companies decided they had to do something dramatic because of the extremely difficult problems with uncollectible accounts," said Mr Robert Morris, a telecommunications analyst at Prudential-Bache.

GTE and United Telecom said yesterday that "substantial progress has been made in resolving these billing and accounts receivable problems," and the second half of 1987 would see improved results.

The $260m write-off of the microwave system, which has been overtaken by US Sprint's rapidly expanding 16,000-mile fibre-optic network, also took Wall Street by surprise. The network is being written down to scrap.

Sumitomo Metal net earnings plunge by 89%

By Our Financial Staff

Sumitomo Metal Mining Co., a leading Japanese gold, nickel and copper mining company, suffered an 89.2 per cent decline in consolidated net earnings in the year to March 31. Profit was Y256m, down from Y2,384bn previously.

Sales fell 17.3 per cent to Y351,810bn from Y425,223bn. Earnings per share slid to Y0.62 from Y5.73.

Sumitomo Metal attributed the setback to the effect of the high yen which curtailed orders from major clients in the export-led electrical and computer manufacturing sector. Also currency factors depressed prices

The company predicted that in the current fiscal year sales will decline to Y332,000bn, while net earnings will total Y3,000bn.

Second-quarter rise at Raytheon

BY WILLIAM HALL IN NEW YORK

RAYTHEON, the New England conglomerate, continues to prosper from its heavy involvement in the US defence industry, and yesterday reported an 11 per cent increase in second-quarter earnings to $110.8m on a 4.9 per cent rise in sales to $1.9bn.

Mr Thomas L. Phillips, chairman, says that the increased earnings are due to improved operating performance in all business segments, and to lower taxes. He singled out the group's electronics and major appliance operations which had turned in a "particularly strong" performance in the latest quarter.

Earnings per share rose by 17.2 per cent to $1.50, reflecting the continuation of the group's two-and-a-half-year-old share buy-back programme. In the first six months of 1987 the group earned $212.6m, or $2.87 per share, compared with $192.1m, or $2.47 per share in the same period of last year.

Raytheon's increased sales in electronics, major appliances and other lines were partially offset by lower sales in aircraft products and energy services, two areas where the group has been trying to diversify to reduce its dependence on the US defence business which accounts for an estimated 90 per cent of the group's earnings.

Raytheon's defence electronic systems and its Amana refrigerator business accounted for much of the sales growth, but Beech Aircraft sales reflected continued weakness in the general aviation market.

The total order backlog at the end of the second quarter was $8.26bn which included $6bn of funded US Government work. The total backlog of orders is unchanged from a year ago.

Raytheon stock purchase programme continues and the company bought 1.3m shares in the latest quarter. Since the programme began in December 1984 Raytheon has repurchased 12.9m shares out of the 15m authorised by the board of directors. Average shares outstanding in the second quarter were 73.8m compared with 77.9m in the second quarter of last year.

The group's total employment stood at 76,000 at the end of the second quarter compared with 73,300 a year ago. Raytheon shares rose by $¾ to $77¼ in early trading yesterday.

Wattie in plan to control Cold Storage Holdings

BY OUR FINANCIAL STAF

WATTIE INDUSTRIES, the dominant New Zealand food processing group, yesterday signalled its intention of taking control at Cold Storage Holdings, Singapore's leading supermarket chain, in a deal which could be worth more than S$300m (US$141.1m).

Wattie said in Wellington that it had bought a 17.11 per cent stake in Cold Storage and was negotiating the purchase of a further 34.23 per cent parcel. No price was diclosed, but with Cold Storage shares suspended in Singapore yesterday at S$4.84, a transaction at market level would be valued at S$308.8m.

Its original stake, of 21.3m shares, came in a cash deal with Australian and Oriental Trading, while Wattie is now seeking to buy an additional 42.5m shares from Queensland Trading and Holding Company.

Both these Australian companies are linked to the Earl of Portarlington, a descendent of the founder of Cold Storage. The Queensland company, which has a local listing, said the Cold Storage stake was by far its largest investment, and that its board would meet soon to consider Wattie's proposed offer.

Wattie said it had a long-standing trading relationship with Cold Storage and wished to use their combined financial, product and marketing strengths to expand Cold Storage's regional activities in south-east Asia.

Cold Storage operatas nine supermarket outlets in Singapore, importing much of its produce from Australasia. It also has food wholesaling operations and around 20 pharmacies, as well as a 42 per cent stake in Cold Storage *Malaysia*. For the year to January it made net profits of S$15.7m on sales which reached some S$304.5m.

Wattie—shares in which rose 2 cents ahead of the news yesterday to NZ$5—is a meat processing and canning company. Late last year it announced plans for a merger with Goodman Fielder which would give the enlarged group leadership of the foods business on both sides of the Tasman. This move has still not been put into effect, however, following opposition by the New Zealand Commerce Commission on monopoly grounds.

Casio Computer profits fall 59%

BY YOKO SHIBATA IN TOKYO

CASIO COMPUTER, the Japanese *digital* watch, *clock* and *calculator* maker, suffered a 59 per cent plunge in consolidated net profit to Y2.86bn ($19m) in the year to March as the yen's appreciation hit the parent and its 24 group companies.

Turnover declined by 12 per cent to Y228.78bn. Domestic sales of electronic musical instruments and liquid crystal pocket televisions fared well. However, *overseas* sales fell by about 20 per cent, a setback which was only partially offset by mark-ups in selling prices and rationalisation efforts.

Key subsidiaries such as Yamagata Casio, Kyowa Seiki, and Daiwa Seiko Industries reported lower sales and profits. As a result, consolidated net profits were 11 per cent lower than those of the parent company.

For the current year, sales of electronic musical instruments and liquid crystal television sets are expected to rise, helping an earnings recovery by the parent company, the first in three years. Consolidated net profits are projected at Y4.5bn, up 57 per cent, on turnover ahead by 11 per cent to Y255bn.

Japan warned on deregulation

BY IAN RODGER IN TOKYO

JAPAN received a renewed warning yesterday that it should accelerate the liberalisation of its financial markets if it wants to avoid fresh tensions with the European Community.

Mr Geoffrey Fitchew, director-general of the European Commission's bureau for financial services, said at a press conference at the end of two days of talks in Tokyo with Japanese financial authorities that the EC was encouraged by the progress already made in liberalising Japan's financial markets, notably in the securities sector, *and by the commitments made* by Japanese officials to further progress.

However, Mr Fitchew was worried that the pace of deregulation in the Japanese banking sector would not be fast enough to prevent these issues from becoming major irritants.

The problem, he said, was that foreign banks were unable to raise funds in Japanese financial markets on terms as favourable as those available to Japanese banks, and thus were at a competitive disadvantage. Japanese banks benefited *from controlled interest rates* on retail deposits, and there was no effective interbank market in the country.

The EC delegation pressed the Japanese authorities in the meetings, the third of a series of informal consultations, to remove interest rate control *from smaller deposits. At* present, market rates apply only on deposits of Y100m ($665,000) or over. The Japanese said tax considerations were holding up the liberalisation of interest rates on retail deposits, but the EC argued that there was considerable scope between the present Y100m floor and the retail level.

The EC also urged the Japanese authorities to allow direct dealings between banks in the interbank market (they now have to deal through brokers) and to eliminate collateral requirements. "My *impression is that there* is a willingness to move forward, but we believe this should be an urgent priority," Mr Fitchew said.

On Japan's commercial paper market, which is likely to be opened in December, the EC officials sought assurances that *foreign banks would be allowed* to play a full role. The Japanese said there would be no discrimination against *foreign* banks in favour of their domestic counterparts, but would not give any specifics about the part banks would be allowed to take.

Australian takeovers hang in the balance

By Chris Sherwell in Sydney

TWO TAKEOVER offers involving British-controlled companies in Australia hung delicately in the balance yesterday as the bidders moved tactically to enhance their chances of success.

In one, ICI Australia, the quoted local subsidiary of the British multinational, extended for one month its A$212m (US$149.9m) offer *for* F. H. Faulding, the Adelaide-based pharmaceutical company. Faulding is resisting the bid.

In the other, CSR, the Australian sugar, building materials and resources group, dropped all conditions on its A$593m bid for Monier, a building materials company which is 49.8 per cent owned by Redland of the UK.

The CSR move follows Wednesday's rejection by Monier shareholders of an options agreement between CSR and Redland. Redland supported CSR's bid, and the agreement would ultimately have allowed them to proceed to compulsory acquisition of Monier.

Resistance to the plan came from Equiticorp Tasman, controlled by Mr Allan Hawkins, the New Zealand entrepreneur, which has built up a 19.4 per cent stake in Monier since CSR first announced its bid.

By making its bid unconditional, CSR hopes to attract some acceptances. But it does not expect many because Equiticorp's alternative bid is pitched at A$4.15 per share, higher than CSR's A$3.80.

The extension of ICI's Faulding bid to August 14 follows a decision by the Foreign Investment Review Board freezing the offer for a further 90 days. Approval or refusal is usually determined within 30 days.

ICI's extension, which had to be decided by today, takes the bid past the general election tomorrow. The bid became politically sensitive when it aroused controversy in South Australia, principally because of Faulding's research activities.

Last week the South Australia State Government Insurance Commission bought an 8 per cent stake in the company, paying A$5.60 per share—the market rate, but far higher than ICI's A$4.74 offer.

This took its holding in the company to around 13 per cent, enough to form a major obstacle to ICI.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

$200m bond from GMAC designed to calm tax fears

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

GENERAL MOTORS Acceptance Corporation yesterday made a $200m Eurobond issue designed to calm the Eurobond market's worries about the recent termination by the US of its tax treaty with the Netherlands Antilles.

GMAC paved the way for its issue by announcing that it had no plans to redeem outstanding issues by its Netherlands Antilles subsidiary. This served to calm the market's fears, at least about GMAC—viewed in the market as being a stronger communicator with its investors than most other US corporate borrowers.

The bond carries a short three-year maturity, and with a coupon of 8¼ and price of 101, yielded 62 basis points over US Treasuries at launch, net of fees.

Salomon Brothers International assembled a strong management group in a clear gesture to signal that the market for US corporates would not be closed by the Antilles issue. Many believe, none the less, that uncertainties do overhang the market and that issuers will be treated on a case-by-ase basis.

The issue, which was closely shepherded by the lead manager, was bid 1.30 points below issue price compared with fees of 1.375.

Though the issue was viewed as fairly priced, it was not helped by the uncertain market for dollar Eurobonds as the dollar fell and the New York market dropped.

After the postponement of several bonds-with-warrants deals for Japanese corporates, Yasuda Fire and Marine Insurance made a $150m two-tranche issue with the $100m European tranche led by Daiwa Europe

INTERNATIONAL BONDS

and $50m by Yamaichi International Hong Kong).

Daiwa said the issue responded to specific investor demand and should not be interpreted as a reopening of the sector, which still has a large amount of paper to digest. The five-year issue has an indicated coupon of 2¼ per cent and par pricing. It was bid 1¼ points below issue price.

Sumitomo Trust and Banking was at pains to distinguish convertible debt from warrants deals in making a $100m 15-year issue yesterday as well as a SFr 350m five-year issue in Switzerland.

The dollar deal, led by Sumitomo Trust International, was given an indicated coupon of 1¼ per cent and par pricing and was bid at 99. The Swiss issue, led by Swiss Bank Corporation, had an indicated coupon of ¾ per cent.

Ford Credit Funding made a £50m five-year issue led by Baring Brothers with a 9¼ per cent coupon and 100⅞ pricing, yielding 50 basis points over gilts at launch. It met a modest reception and was bid slightly outside fees.

In Switzerland, Goldman Sachs led an innovative issue of bonds with oil warrants for Kredietbank, which quickly benefited from the attack on a US-owned tanker in the Gulf, which pushed the oil price above the warrants' exercise price. The SFr 50m five-year issue has a 3 per cent coupon and price of 100½, with warrants entitling the holder to buy West Texas Intermediate crude at $21 a barrel.

Bayer, the West German chemicals concern, launched to a good reception two equity warrants deals in the Swiss franc and D-mark markets through its Amsterdam finance subsidiary.

Deutsche Bank led the DM 400m issue, maturing in 1997 and carrying an indicated coupon of 6¼ per cent and a price of 130.

Credit Suisse led the SFr 250m issue with a fixed 2¼ per cent coupon, a par price, but with a 15-year maturity.

US fails to dispel uncertainty

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE UNCERTAINTY in the international bond markets caused by the US abrogation of its tax treaty with the Netherlands Antilles has not been dispelled, despite the re-assuring noises being uttered by the US Treasury and some important issuers.

Bankers and lawyers said the US Treasury, which has announced its intention to support legislation which would preserve the existing tax position of bonds issued by US companies through Netherlands Antilles subsidiaries, now needs to assure issuers that progress is being made.

A statement of support from a senior member of the US Congress, or the announcement that the legislation was being introduced, would indicate the process has continued momentum.

The question now hangs on whether this legislation will get bogged down in a political quagmire; whether a Democratic Congress will be prepared to help rectify the mistakes of a Republican Treasury Department; and what price it will try to extract in return for its help.

If prospects for this "grandfather" legislation, which requires a simple majority for passage, are uncertain, then the chances for a new partial tax treaty, which would require a two-thirds majority, are remote, according to officials inside and outside the Treasury.

Some issuers are making reassuring noises. Yesterday, the insurance group Cigna said it would not call the £30m of 12¼ per cent bonds, due in 1992, and Ford said it would not call its one affected issue, in D-Marks, through an Antilles subsidiary.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

[illegible]

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First loss for J P Morgan since 1959

By James Buchan in New York

J. P. MORGAN, the parent of Morgan Guaranty Trust, has announced its first quarterly loss since going public in 1959. It showed a deficit of $586.4m in the three months to June, as against net income of $237m or $1.29 a share a year ago.

The loss, which may be the first in the blue-chip house's long history, still leaves Morgan the best-capitalised of the US money-centre banks. It arises from an $875m charge to net income to provide against credit losses on sovereign loans in the process of restructuring.

Morgan said earnings before the provision in the second quarter were little changed from the same quarter of 1986, when additional provision for credit losses was only $70m.

Despite the non-accrual of interest on $1.3bn in Brazilian loans, net interest income held up but trading income fell.

Morgan said it would report a profit for the year as a whole. The quarterly dividend is being maintained.

In announcing the loss, Morgan launches a second-quarter US bank reporting season which will be covered in red ink as the money-centre banks have followed Citicorp's lead in providing against doubtful Third World loans.

However, Moody's Investors Service, the major US debt-rating service, confirmed the coveted Triple A rating for Morgan's senior debt because Morgan's capital adequacy "is very high in comparison with domestic peers."

Floating-rate note for Daewoo

By Our Euromarkets Staff

DAEWOO, the South Korean conglomerate, is making its first bond issue, a $175m floating-rate note which has some of the character of a syndicated loan.

LTCB International is leading the deal and in accordance with the unusual nature of the deal, it has set a slow syndication period. It sent out telexes yesterday which gave the 50 recipients until July 15 to respond.

The eight-year issue will carry a margin above London interbank offered rates of ⅛ percentage points, subject to a minimum of 5¼ per cent. It has put and call features after six years.

Green light for Great Lakes newsprint mill

By Our Montreal Correspondent

GREAT LAKES Forest Products, one of the two pulp and paper arms of Canadian Pacific, is going ahead with a 180,000 tonnes yearly capacity newsprint mill in north-eastern Washington State. The cost will be more than US$400m, including financing and working capital.

The project was delayed in 1985 because of low newsprint prices and got back on the road last springu when Knight Ridder joined several other US publishers backing the mill. Start-up will be early in 1989.

Great Lakes will have a 40 per cent interest and will be project operator. The publishers will take 70 per cent of the output and the rest will be sold on the open market.

US QUARTERLIES

GT. ATLANTIC & PACIFIC TEA
Food retailer

	1987	1986
First quarter	$	$
Revenues	2.9bn	2.1bn
Op. net income	30.4m	19.0m
Net per share	0.80	0.50

FEDERAL PAPER BOARD
Pulp and paper

	1987	1986
Second quarter	$	$
Revenues	241.0m	211.6m
Net income	*8.6m	7.5m
Net per share	*0.37	0.42
Six months		
Revenues	470.8m	419.3m
Net income	*18.5m	9.9m
Net per share	*0.93	0.50

* Reflects $8.2m extraordinary charge.

FLEET FINANCIAL
Banking, financial services

	1987	1986
Second quarter	$	$
Net income	18.2m	32.8m
Net per share	0.35	0.60
Six months		
Net income	57.9m	64.5m
Net per share	1.05	1.18

MARRIOTT
Hotels

	1987	1986
Second quarter	$	$
Revenues	1.5bn	1.1bn
Net income	63.9m	52.1m
Net per share	0.47	0.38
Six months		
Revenues	2.9bn	2.1bn
Net income	104.6m	86.3m
Net per share	0.77	0.63

RUBBERMAID
Rubber, plastic products

	1987	1986
Second quarter	$	$
Revenues	244.8m	194.7m
Net income	21.1m	18.9m
Net per share	0.29	0.26
Six months		
Revenues	482.8m	383.6m
Net income	41.7m	35.0m
Net per share	0.57	0.48

SUNTRUSTS BANK
Banking

	1987	1986
Second quarter	$	$
Net income	70.8m	66.1m
Net per share	0.54	0.50
Six months		
Net income	141.0m	130.1m
Net per share	1.08	0.99

Stephen Fidler looks at the latest report from the Group of Thirty

Warning on growth of debt swaps

THE PRACTICE of swapping Third World debt has come under increasing scrutiny since Citicorp opened the way toward a new bank approach to the debt crisis in May by dramatically increasing the size of its loan loss reserves.

In making its announcement, the New York bank said it would "liquefy" its own Third World loan portfolio by using the growing market in debt swaps, where developing country debt is often traded at substantial discounts to face value.

The increases in loan loss reserves, since made by all the other large US banks and some outside the US, have given the banks a cushion which will allow them to be much more flexible about the way they treat their Third World loans.

A market, once seen as a severe complication to the debt crisis, has thus more recently come to be viewed as one element in a spectrum of possible solutions.

Now, two officials of the Federal Reserve Bank of New York have sounded a warning about the problems that would result from a further significant growth in this market.

The warning comes in a report published today by the Group of Thirty, an international grouping of officials from the private and public sector which studies financial and economic affairs.* Its authors, expressing their own views and not necessarily those of the New York Fed, are Mr David L. Roberts, an assistant vice president, and Mr Eli M. Remolona, an economist.

Their report concludes: "Ultimately, a much larger, more active debt swaps market could complicate an already difficult rescheduling and adjustment process without providing overriding benefits for either debtors or creditors."

They distinguish three types f debt swaps:

- Debt-debt exchanges, which involve a change in the creditors holding the loans. They provide flexibility to creditors and can ease the rescheduling process if debt is shifted to banks more willing to lend to developing countries. But they provide no direct benefit to the country and complicate the assignment of responsibility toward the distribution of new money in a rescheduling package.
- Debt-equity swaps, which convert a country's debt into equity in a domestic company.
- So-called debt-peso swaps, aimed at repatriating flight capital. Residents buy their own country's debt in the secondary market and swap it into local currency assets.

Potential for benefits

The report estimates that a total of $12bn in swaps has taken place since 1982, of which $5bn were effected in 1986. These figures are smaller than other estimates, many of which it says may suffer from double-counting. Included in the total is about $5bn of debt which has been swapped for equity.

Although growing rapidly and likely to grow more because of banks' higher loan loss reserves, the swaps market thus remains small in relation to the $300bn owed to banks by the 15 largest Third World debtor countries.

Debt swaps clearly bring the potential for benefits to the debtor country. Debt is converted into obligations that presumably the country is better able to handle, while debt-equity conversions also encourage the privatisation of firms that would otherwise be burdensome to the economy.

The market also gives a way out to unhappy creditors which have often held up important rescheduling agreements.

But there are also significant potential disadvantages, which may disrupt the overall objective of bringing sound economic adjustment and structural reform by rescheduling countries.

Debt-equity swaps, for example, effectively create a two-tier exchange rate. This creates the potential for misallocation of resources, which may distort trade, and the danger of so-called round-tripping by domestic or foreign enterprises.

"Foreign firms that would otherwise retain earnings in the country are instead encouraged to take the funds out and bring them back through swaps, taking advantage of the preferential rate," the report says.

Earmarking foreign exchange for swaps to retire foreign debt may also exclude other important uses for that foreign currency.

There are other dangers, such as the possibility that swaps can cause loss of control of the domestic money supply. However, the authors concede that Chile seems to have found a way around this problem, using a monthly auction of the rights to debt conversion.

Apart from complicating the allocation of new money to any rescheduling package, such swaps are also likely, the authors conclude, to increase the amount of new money needed.

The debt-debt swaps market also creates the potential for what the report calls a "moral hazard." "In the extreme, the country would have a perverse incentive to pursue poor policy or take unilateral action on its debt to depress the market price and buy it back at a low price."

Inherent limitations

It is a risk that in most cases would be small, since it would provide little benefit to the debtor, although if creditor relationships deteriorated markedly for other reasons, the temptations to do this could grow.

The question is whether the perceived disadvantages outweigh the advantages. Much of the answer hinges largely on what the authors term "additionality" — the extent to which the debt swaps attract investment or repatriate flight capital that would otherwise not be attracted to the country. The extent to which this occurs is not addressed by the report.

"The present debt swaps market can provide a valuable margin of help in some situations . . . The market's inherent limitations, however, imply that it is unlikely to reach sufficient size to replace the need for other financing sources. And as the market grows, the negative side-effects may increase even more rapidly."

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JMB Realty amends offer for Cadillac to cash

BY ROBERT GIBBENS IN MONTREAL

JMB REALTY, a privately-owned Chicago company controlling properties worth about US$18bn, is now offering to buy all 72.3m common shares of Cadillac Fairview, the Canadian property group, for C$34 a share cash, rather than C$35 a share in cash and preferred stock.

On May 9, JMB offered the equivalent of C$2.7bn for the Cadillac shares. Mr Bernard Ghert, president, told the Cadillac annual meeting in Toronto earlier this week that the offer had been amended for tax reasons and now amounts to C$2.6bn, all in cash with the closing on October 31.

Cemp Investments, a holding company of the Montreal Bronfman family, owns about 50 per cent of Cadillac and arranged the sale of the company to help finance the re-arrangement of the family's holdings in Seagram.

Another 23 per cent of Cadillac is owned by Olympia and York Developments, the principal holding company of the Reichmann brothers of Toronto.

CBS income falls by 20% to $92m in second quarter

BY ANATOLE KALETSKY IN NEW YORK

CBS, the US television and media group which has been undergoing wrenching internal reorganisation after last year's boardroom coup led by Mr Lawrence Tisch, its largest shareholder, earned $92.1m or $3.77 a share in the second quarter, down 20 per cent on the $115.4m or $4.42 profit the year before.

However, the comparison was affected by two partly offsetting factors—a $11.8m extraordinary charge booked in the second quarter last year and a capital gain of $30.6m arising in the same quarter from the sale of a television station.

For the last six months, net income of $140.8m was 2 per cent up on the corresponding period the previous year.

The broadcasting group's operating income declined to $145.6m from $197m, $2m on revenues which were 3 per cent down at $715.1m. CBS suffered from a general softness in the advertising market and from declines in its programme ratings.

UK COMPANY NEWS

Thorn EMI accelerates to £160m

BY DAVID WALLER

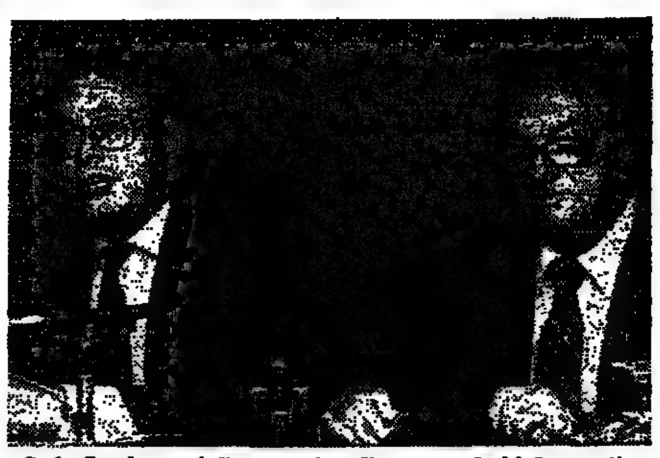
REDUCED losses from Inmos and a strong performance Thorn EMI's other activities helped the company increase its pre-tax profits for the year to the end of March from £54.8m to £159.5m.

The results exceeded stockbrokers' expectations and the share price rise 17p to 798p, after touching 825p at one stage.

Sir Graham Wilkins, the chairman, disclosed that Thorn EMI has appointed Goldman Sachs, the US investment bank, to help the company find a buyer for a substantial stake in Inmos, the troubled semiconductor subsidiary.

Inmos made a loss of £10m in the last year, down from £17m in the previous year. Although Inmos has "approached the break-even point" in the first quarter of the current year, Sir Graham said that he was unwilling to predict when it would make a profit for a full year.

Taxable profits included an exceptional credit of £27m, mainly derived from the sale of Thorn EMI House. This was more than offset by reorganisation costs of £42.7m taken above the line.



C. G. Southgate, left, managing director and chief executive of Thorn-EMI and Sir Graham Wilkins, chairman

Turnover for the group as a whole declined by £131m to £3.19bn, reflecting the level of disposals in the last year. Turnover on continuing businesses rose by 10 per cent to £2.76bn.

The final dividend is being increased by 1p to 13.5p, making a total of 18.5p (17.5p) for the full year.

Extraordinary items net of tax were £24.7m (£61m). These included a £23.3m loss on the disposal of Major Domestic Appliances, and a profit of £10.8m on the sale of shares in Thames Television.

After tax of £57m (39.1m) and minority interests of £2.9m (£4.2m) and the extraordinary provisions, attributable profits were £74.9m (£400,000). Earnings per share worked out at 43.9p, against 26.5p in the previous year.

"Following a major programme of restructuring, all our businesses are now on a strong upwards trend," said Mr Colin Southgate, who yesterday assumed the role of chief executive as well as managing director.

Further rationalisation will be required. Of the £42.7m reorganisation costs, £17.8m has been set aside for rationalisation in the lighting business, where it is planned to reduce the number of warehouses from 12 to 10.

"Some 1,250 jobs went across the group last year," said Sir Graham. "Job losses will be at the same level this year."

The rental and retail division achieved a 32 per cent increase in profits to £128.1m, on turnover of £972.7m (£884.3m).

Profits from the music division increased nearly three times, from £8.8m to £25.4m, but profits from the consumer and commercial side fell from £21.6m to £9.2m. Businesses sold during the year made losses of £28.1m.

The UK accounted for £2.03bn (£2.17bn) of total turnover, including exports, and £125.5m (£105.5m) of profits.

See Lex

Keen demand likely for BAA's share offer

By Richard Tomkins

THE OFFER for sale of BAA, formerly the British Airports Authority, gets under way today with the publication of the prospectus for a flotation which will value the company at a minimum of £1.225bn.

County NatWest is acting for the Government in the sale of all BAA's 500m shares. Some 52 per cent of them are being sold to the public at 245p each, another 23 per cent have been firmly placed with institutional investors, and the remaining 25 per cent will be offered to all investors through a novel tender offer.

The main feature of the tender is that shares will be allocated to the highest bidders at the price tendered: there will be no common striking price, as in conventional tenders.

A cut-off price will be set below which bidders will not receive any shares. Bidders at the cut-off price will have their applications scaled down to match the remaining available shares.

Payment is due in two instalments, the first on application and the second in May next year. Applicants for fixed price shares pay 100p, then 145p, and those for the tender offer pay the bid price less 145p, then 14p.

Applications for the tender offer can be made only in multiples of 1,000 shares and for a minimum of 1,000, and the cost of taking part is expected to limit interest mainly to institutional investors.

However, the fixed price offer features a low entry level of 150 shares and is expected to generate heavy interest among small investors. A ballot may well become necessary.

● comment

The precision with which the market average multiple has been applied to BAA's offer price has distracted from the fact that it was a pretty arbitrary yardstick in the first place. In the absence of any comparable quoted company, gut feelings are probably the best guide to the opening price, and the rumblings are now around 275p. But where does it go from there? If the cut-off price in the tender is at or below that level, those prepared to pay more will already have filled their boots. In the unlikely event that it is higher, the successful bidders will face an opening discount and will sell to cut their losses. The best hope of any fizz in the aftermarket lies either in another bull run in the 12 day gap before dealings begin, or in a wall of money from overseas investors too bamboozled by the tender arrangements to be bothered with them. Either is possible, but uncertain. The cautious will stick to the fixed price offer, but this will produce such small allocations (or indeed, none at all) that successful applicants will be hard pushed to cover their costs in spite of the prospective 30 per cent premium on the partly-paid price. Overall, this does not look like an offer for the stags. In other words, it could be quite a success.

Men & Matters, Page 28

Assoc. Newspapers tops City hopes with £29.1m

Associated Newspaper Holdings' shares rose by 15p to 653p yesterday on news that the group's profits for the first six months of the 1986-87 year had risen by £9.9m to £29.1m at the pre-tax level.

City analysts had been looking for a figure of between £25m and £28m.

Redundancy and development costs of £34.7m were taken above the line as exceptional provisions but were offset by a surplus on the disposal of the group's holding in Esquire Magazine and its stake in the Herald Weekly Times totalling £34.8m.

The directors said they considered the underlying trading performance of the group to be strong and, despite an increase in the price of newsprint, they hoped the 18 per cent improvement in first half trading profits to £26.8m could be maintained in the second six months.

They pointed out that exceptional profits and costs in the second half were likely to be much lower than those of the six months to March 31 last and that their net impact on group results should again not be significant.

First half turnover of the group, publisher of the Daily Mail, Mail on Sunday, the London Evening Standard, the relaunched Evening News and a string of provincial papers, improved by £27.8m to £286.8m.

The associates' contribution to profits fell by £1m to £0.9m but income from other fixed asset investments rose by £0.4m to £1.9m and interest charges fell from £2.5m to £0.5m.

After tax of £7.3m (£8.2m) and minorities of £0.3m (£0.4m), profits for the half year worked through at £21.5m (£10.6m).

Per share earnings emerged 7.3p higher at 16p and the interim dividend is being lifted from 1.5p to 2p net.

The directors said the Mail titles benefited from a reduction in staffing levels as well as increased advertising revenue while the Standard, together with the News, increased its contribution to trading profits despite the advent of direct competition.

Northcliffe Newspapers, responsible for the provincial newspapers, achieved a further increase in trading profits and Euromoney Publications, although adversely affected by the strength of sterling against the US dollar, also showed an improved performance.

Blackfriars Oil and Gas profits were lower, reflecting the cost of its increasing UK onshore drilling activity and the decreasing production from the company's interests in the Argyll, Duncan and Innes oil fields. The Esmond gas complex successfully completed its second full winter's production.

Daily Mail and General Trust, which owns 49.95 per cent of Associated Newspapers' ordinary equity, raised its net profits for the six months to March 31 from £6.59m to £11.66m and is lifting its interim dividend from 16p to 21p.

Net asset value per ordinary and "A" share totalled 4,246p (2,616p).

● comment

The advent of Mr Maxwell's London Daily News and the falling into Mr Murdoch's hands of Today have done nothing to dent the stock market's confidence in Associated Newspapers. The LDN, after all, appears to have had little impact on the London Evening Standard's circulation, and there is good reason to suppose that if a new-look Today is to take readers from the Daily Mail in any quantity, it will not be in the short-term. But much more significant than the newspapers' revenues is the work being done on their cost base. In the last half, group turnover was a modest 11 per cent ahead but the advance at the pre-tax level was 23 per cent. If that can be achieved in advance of the move of the Fleet Street titles to Surrey Docks/Kensington next May, it suggests that there is considerably more to come. Much of it, however, is already in the price: with £60m or so in sight this year, Associated is the market's *highest-rated newspaper stock* on a prospective p/e multiple of 21. The asset backing nevertheless remains a lure: if the FT can sell Bracken House for £143m, Carmelite House must look cheap in the books.

Sandell Perkins 44% ahead to £10m

IN ITS initial figures since gaining a full listing last September, Sandell Perkins, builders and timber merchants which operates in Greater London and the south of England, yesterday reported a 44 per cent increase from £6.9m to £9.9m in pre-tax profits for the year to March 31, 1987.

Mr Tim Perkins, the chairman, said: "The year has been most satisfactory, with all divisions of the group performing well. Since flotation, we have continued our policy of organic growth and the acquisition of small businesses to strengthen our network in London and the south."

Sandell Perkins has added nine new branches since September, including the acquisition of four businesses, to take its total to 57. The company now employs 1,600 people.

Sales during the year increased by 22 per cent from £92.76m to £113.2m, and operating profits rose from £7.24m to £10.02m.

A final dividend of 3p net is being recommended for a total of 4.3p as against the 3.8p suggested in the prospectus. Stated earnings per 10p share improved from 10.8p to 15.6p.

Pre-tax figures were after net interest payable of £68,000, considerably lower than the previous £314,000. After higher tax of £3.5m (£2.73m) and minorities of £106,000 (£65,000), attributable profits came out at £6.35m compared with £4.14m.

Mr Perkins said current sales were running at record levels, with the first two months showing a 20 per cent volume increase of the corresponding period in 1986. He said it would be unrealistic to expect the company's market to be quite so buoyant, but nonetheless, the directors viewed the outcome of the present year with quiet optimism.

● comment

Sandell Perkins has proved an extremely rewarding investment for those fortunate enough to pick up shares in last September's offer for sale. The share price has risen almost as fast as the buildings in the City of London which use the company's wares, from 185p to 305p last night. Yesterday's 6p fall reflects no more than piqueish profit-taking in a thin market, but whether the shares, or the company can sustain the rate of growth shown in these figures, is doubtful. The company admits as much, saying that it would be unrealistic to expect the record sales experienced in the first two months of the current year to be much prolonged. Furthermore, current year figures will not be flattered by comparision with the fine first half last year, which benefited from the exceptionally active construction market in the South East. If they make £12.5m in the present year, the multiple comes down to 16½. Not such a high rating for so solid a company, but the shares are unlikely to enjoy so buoyant a ride in the next few months as in the last.

Nolton appoints

Nolton, the mini-conglomerate currently on the receiving end of an unwanted £15.5m bid from Benlox Holdings, yesterday announced that it is appointing Mr Robert Edmiston to its board as a non-executive director. Mr Edmiston was previously with Chrysler (UK), finance director at Jensen Motors and is currently chairman and managing director of International Motors.

Meanwhile, Benlox itself announced that it has been granted an option to buy chairman Mr Tony Millar's 16.48 per cent stake in Nolton.

Kode makes strong progress

MR RON MARLER, chairman of Kode International, said yesterday that the group had continued to progress strongly in the first half of 1987 with all operating companies meeting or exceeding expectations.

He looked forward to continuing progress over the second six months.

For the opening six months sales rose from £12.26m to £16.57m, an improvement of 35 per cent, while profits at the pre-tax level advanced to £1.3m, an increase of 40 per cent over last time's £928,000.

Reflecting a confident view of the future the directors are stepping the interim dividend up by 1p to 5p net from earnings of 14.5p (10.3p) per 25p share.

Kode Ltd, supplier of microcomputers and computer peripheral equipment, achieved record sales at improved margins resulting in its highest-ever contribution to group profits and Kode Services continued to widen its customer base.

Comart Computers, maker of business computers increased sales and Xitan, distributor of computer software, increased sales strongly but continued to face margin pressure in a very competitive market environment.

Kam Circuits maintained firm progress with increased sales and profits. It also widened its customer base. Moore Reed continued to face a difficult defence market but nevertheless managed a small increase in sales.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
Assoc Newspapers	int	2	Aug 20	1.5	—	6
Automated Secty	int	†0.8	Nov 13	0.66	—	1.8
A. G. Barr	int	3.25	Aug 7	2.5	—	11
Batleys		1.8	Aug 26	1.7	2.3	2.2
Birmid Qualcast	int	1.75	Sept 11	1.25	—	4.75
Daejan		12	—	9	17	14
Daily Mail Trust	int	21	—	16	—	60
Evode	int	1.2	Sept 24	1.04	—	3.84
Fitch Lovell		†7.5	Oct 1	7	11.3	10.5
Ernest Jones		nil	—	1.4	1.4	5.3
Kode	int	5	Aug 21	4	—	13
A. Russell		1.22	Sept 3	—	1.76	1.6
Sandell Perkins		3	Oct 1	—	4.3	—
Symonds Eng		0.7	Aug 14	0.61	1	0.91
Thorn EMI		13.5	—	12.5	18.5	17.5
West Industries		†0.75	—	0.5	1	0.75
Widney	int	†0.4	Aug 31	0.33	—	0.8

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ‖ Third market.

Carless in £12.6m merger

BY LUCY KELLAWAY

Carless, Capel and Leonard, the independent oil company, yesterday announced plans to strengthen its oil refining and marketig operations with the purchase of J. O. Buchanan and J. O. Buchanan (Fuels), for about £12.6m.

The deal, which will be paid for with Carless shares, was described yesterday by Carless as an "important strategic move" for both companies, combining complementary product ranges.

Carless said it was its first step towards its goal of developing its specialist oil products business. It claimed the deal would make the group the UK market leader in transformer oils and white oils, in which Buchanan is a specialist. Buchanan is base din Strathcylde, where it has a refinery. It also has plants on the Clyde and in Cheshire.

The asset value of the two companies is £12.4m, and the combined operating profits for Buchanan in the year to December 1986, and for Buchanan Fuels for the year to June, were £830,000. After allowing for interest charges and stock losses, the pre-tax loss was £554,000.

The deal will be enacted through a merger between Carless Refining and Marketing and the two Buchanan companies.

Evode rises to £2.6m midway

INCREASED pre-tax profits were yesterday reported by Evode Group, the Stafford-based manufacturer of adhesives and jointing compounds, for the 26 weeks to March 28 1987. The figures improved from £1.99m to £2.56m, and turnover rose from £40.76m to £45.71m. Profits in the previous 12 months had moved ahead by 32 per cent to £3.7m from turnover of £70m.

The interim dividend is raised from 1.04p to 1.2p, and stated earnings per 20p share were 5.14p (3.77p) basic, and 4.93p (3.63p) fully diluted.

The integration of Supra, acquired last December for £14.5m, has been completed and the trading results have shown a 20 per cent growth over the equivalent six-month period. Increased demand for this division's products will result in further investment for both plant and buildings.

The group's homecare activities also achieved further growth, and in April launched a major new range of household adhesives.

The paints division continued to progress with further excellent growth in powder coatings in Postans Worralls.

In the US, the Evodex joint venture is now in production and the outlook remains promising, said the directors. The acquisition of Sampol has substantially increased film extrusion manufacturing capacity and should enable the company to expand further this segment of activities.

First half profits were after interest and similar charges totalling £696,000 compared with £709,000. Tax was higher at £923,000 (£818,000).

● comment

Evode has at last sold its roofing and insulation division, but the move came too late to benefit thes results, and will cost it the traditionally higher second half contribution. Its acquisition of Sempol Products will likewise give the group little advantage this year although it should make a net contribution. Paints, plastics, adhesives and sealants are doing well and good results are expected. But promotion costs should ensure that Evode's new carded range of glues aimed at the domestic and DIY market do not contribute this year, and the net result will be slower growth in the second half and a year-end improvement which will be far less dramatic than last year's. Supra, the acquisition of which doubled Evode's size, is showing strong growth, and there are further advantages to be gained from synergy between the two. Evode products could also join Supra's in being distributed to motor trade retailers. A pre-tax figure of £6m should see earnings of 12.4p and a prospective p/e of 18 on a closing share pric of 224p.

Mixed fortunes for A Russell

MIXED FORTUNES for Alexander Russell in the year to the end of March 1987 left pre-tax profits only slightly ahead at £1.93m against £1.85m last time. Directors said there were much improved profits from the building products divisions but a reduction from the UK coal recovery plants.

They added, though, that they were satisfactory in view of the considerable fall in the price of coal and nearly all the company's building products.

Turnover improved from £28.93m to £31.17m. Earnings per share came out at 4.6p (3.9p) basic and 4.9p (3.7p) fully diluted. The total dividend is being raised to 1.76p (1.6p) with a recommended final of 1.22p.

Directors said that the last quarter was badly affected by having to work through areas of faulty material in the company's two most productive coal sites which resulted in a considerable fall in sales revenue. That, added to the severe weather in Scotland in January, was the main reason for not achieving the expected results.

The board was confident that the problems were almost at an end.

Borland in £23m US buy

BY CLAY HARRIS

Borland International is to issue shares worth $37m (£23m) to buy Ansa, like it a California-based computer software company. Borland, which joined the USM in June last year, said the merger would create leading broad-based competitor in the world market.

Ansa's main product is an IBM PC-compatible relational database manager called Paradox. Borland described this as complementary to its own Reflect product.

Founded three years ago, Ansa reported a pre-tax los of $1.4m in 1986. It expects to reach break even in the current quarter.

Sevin Rosen, a venture capital group, is the largest shareholder in the unlisted company with a 30 per cent stake. Mr Ben Rosen, Ansa chairman, will join the Borland board. Ansa shareholders will own 13.4 per cent of the combined company.

Borland's pre-tax profit fell from $8.7m to $4.7m in the year to March. Its shares added 18p to 283p.

UK COMPANY NEWS

Brodian in £27m Buckley's bid

BY NIKKI TAIT

A £26.6M BID battle has finally begun at Buckley's Brewery, the Llanelli-based company beset by a series of share stake changes over the past two years.

Brodian, a nominee company which represents the personal interests of Mr Peter Clowes and Mr Guy Cramer, both directors of the publicly-quoted James Ferguson Holdings, yesterday launched a cash offer of 175p a share. Singer and Friedlander, which is advising Brodian, says it is satisfied that the resources are available to meet the bid.

The bid price compares with a top price of 160p which Brodian paid in building up its 29.99 per cent stake. The bulk of that was bought from Mr Tony Cole's Bestwood at 137.5p a share. Although the price offered puts Buckley's on an exit p/e of 32 times stated historic earnings, shares in the Welsh brewer still managed to rise 14p to 182p.

News of yesterday's offer came one hour before Buckley's was due to hold its annual meeting in Llanelli. A back-stage exchange of letters over Brodian's right to attend or speak at the meeting, plus queries over the nex executive share option scheme had already taken place.

Mr Cramer and a colleague turned up, but said nothing and all business was passed peaceably with the two sides sharing a buffet lunch afterwards. However, Buckley's has said it will not implement the share option scheme while the bid is unresolved.

Shortly after the meeting, Buckley's put out a statement, saying that it was discussing the bid with its advisers and recommending shareholders to take no action.

Mr Peter Clowes said yesterday that the Buckley's board had lost its way. There was scope for expanding the real ale business, for introducing greater financial controls and offering help on the property side. "They should be acquiring more pubs than they are selling," he commented.

But Mr Colin Thomas, managing director of Buckley's argued that the brewery already served an above-average amount of real ale and that changes in the pub portfolio reflected "closures in very small areas and openings where there are chimneys."

Other major shareholders include Whitbread, which with Whitbread Investment Trust, holds 27.7 per cent, Britannic Assurance, about 8 per cent and Scottish Amicable and Guardian Assurance, just under 3 per cent each.

Earlier this year, Mr Clowes and Mr Cramer built up a near-30 per cent interest in Belgrave Holdings, which they then sold to a private company owned by the Jivraj family. Brodian also recently took a stake in Welsh ship-repairer and leisure group, C. H. Bailey.

Automated Security 34% ahead at £5.8m

Automated Security (Holdings), a group engaged in the rental of security alarm systems, revealed yesterday that its profits for the first six months of the 1986-87 year had risen to £5.79m pre-tax, an improvement of 34 per cent over last time's £4.31m.

In the previous full year, profits surged by 48 per cent to £12.4m.

Turnover for the opening half of the current year, to May 31, pushed ahead from £24.65m to £29.01m. Pre-tax profits were struck after deducting interest charges of £1.52m compared with a previous £967,000.

Earnings worked through at 5.88p (4.29p) undiluted, or at 5.65p fully diluted. The interim dividend is lifted to 0.8p (0.66p).

The directors said the group was now well established and well structured with the properly balanced resources to move forward, both organically and by acquisition.

During the current year, Modern Alarms will open six new sales branches which will further emphasise its national coverage.

Modern Alarms was also greatly strengthening its position in related services such as closed-circuit TV and access control.

Securitag was expanding its activity in the European market through the international division with the opening of operations in France and Germany.

An order for Mothercare of £2m had been satisfactorily completed and was rental-producing.

Modern Vitalcall, the group's emergency communications division, was performing well.

● comment

Not every security company has found that the rising crime rate has shot straight through to its bottom line but Automated Security, which has stayed clear of risky areas like cash handling, has managed to maintain its profits record. Now, at last, the residential market, prompted by the insurance companies, is taking the burglar alarm to its heart and retailers like Mothercare are realising the benefits of article surveillance. As a result, the prospects for Automated, which has around 15 per cent of the British Standard alarm market, look better than ever. Pre-tax profits should increase to around £15.5m for the full year which puts the shares at 282p on a prospective p/e of 19. That is not quite as steep as it sounds given the growth record and the strong balance sheet after the sale of the Network stake.

Potterton boilers boost Birmid to £9.1m

Birmid Qualcast, the engineering group with interests ranging from foundries to lawnmower manufacturing, yesterday announced interim pre-tax profits of £9.1m, up 49 per cent on the £6.1m achieved in the same period of last year.

The improvement was due largely to a strong performance by its Potterton boiler manufacturing business, helped by a buoyant market, and the elimination of the losses suffered by its engineering companies, which were sold during the period.

Birmid — which last March spurned merger approaches from Hepworth Ceramic — has just completed the acquisition of New World, a leading manufacturer of gas cookers, from TI Group for up to £30m.

The figures for the six months to May 2 also include a £0.7m pension contributions holiday, which should add about £2.4m to profits this year and £3m in 1988.

There is a £2.5m extraordinary debit, mostly due to write-offs on the sale of its loss-making kitchen furniture business, which was disposed of at the end of the period.

On turnover of £103.8m (£108.9m), the group made an operating profit of £10.06m (£7.07m). Tax took £2.6m (£1.1m). Earnings per share were 9.9p (7.6p) and the interim dividend is 1.75p (2.25p).

The company said its lawnmower business appeared to be having an average season, with very good business during April being offset by the effects of extreme weather in other months.

For the group as a whole, "the level of business in May and June continued to be satisfactory."

● comment

The market responded rather niggardly to figures ahead of expectations, marking the shares up just 3p to 277p. There may be a twinge of doubt about the continued strength of the heating market, which underpinned the first half performance, but Birmid is still producing flat out and expects to do so for the rest of the year, while it should get an additional fillip from the introduction of its new "combi" boilers. No nasty surprises have been uncovered at New World and, while it is going to take some time to shake the business up, there seems plenty of scope for improving productivity and bringing to it the marketing skills Birmid has used to such good effect in the great lawnmower war. Full year pre-tax profits of £21m seem possible, which with a 28 per cent tax charge puts the shares on a prospective p/e of around 12.5. That is cheap for a consumer products stock, suggesting that the market has not fully taken on board the company's metamorphosis out of heavy engineering.

Cowie becomes Heron's vehicle for expansion

By Clay Harris

MR GERALD RONSON of Heron International, Britain's largest privately-owned company, has chosen T. Cowie, the Sunderland-based motor dealer, as his vehicle for further expansion in the volume car and contract hire market.

Heron is to take a 4.8 per cent equity stake in Cowie as part of a £13m deal through which the latter is buying Heron's motor vehicle, agricultural and fuel oil distributorships, as well as its car business.

The acquisition will make Cowie the undisputed leader in the contract hire and fleet management market with 34,500 vehicles.

Mr Tom Cowie said yesterday: "He's brought us in as experts and taken up a bit of equity, and he'll let us get on with it." He and Mr Ronson would "do a lot of business together." Mr Ronson said that Heron would contribute its property expertise to the development of Cowie.

In addition to Herondrive, its contract hire, leasing and fleet management business, Heron is selling Keith and Boyle, Clarkes of Peterborough, Heron Fuels and Tractors in North Wales, Heron and Drakeson in Chester, and Rossleigh and Scottish in Perth.

Cowie will pay Heron £5.36m in cash and issue 895,000 shares worth £7.6m at yesterday's market price of 845p, up 13p.

Gilbert House cash call to buy Singer & Friedlander

BY PHILIP COGGAN

Gilbert House Investments, the property group, yesterday announced a £134m rights issue to fund the purchase of merchant bank Singer and Friedlander from from Britannia Arrow Holdings, the unit trust and fund management group.

The merged company will be renamed the Singer and Friedlander Group and Mr Anthony Solomons, Singer's chairman and chief executive will take control ofthe enlarged group.

Terms of the rights issue are 155 new ordinary shares for every 100 existing at 105p each, which will involve the issue of approximately 135.6m new shares.

Mr Nigel Wray, one-time owner of the Fleet Street Letter, who, as chief executive of Gilbert House, recently guided it from the USM to the main market and engineered the purchase of Centrovincial Estates, is taking up his rights as to 900,000 ordinary shares.

He is also transferring his nil paid rights in respect of 13m shares to Pergamon Holdings, a company headed by Mr Robert Maxwell. Bishopsgate Investment Trust, another member of the Pergamon Group, is sub-underwriting a total of 10m ordinary shares.

The rights issue is to fund the cash element of the £143m consideration. In addition, there will be a further issue of up to 14.46m ordinary shares, and of up to £15m of unlisted convertible unsecured loan stock. Britannia Arrow has elected to take at least 13m ordinary shares, giving it around 5.5 per cent of the enlarged equity.

The loan stock will carry a 1.5 per cent coupon and will be convertible until 2002 on terms of 100 ordinary shares of Gilbert House for every £105 nominal.

Ernest Jones

Ernest Jones (Jewellers), which has agreed terms for a cash takeover by Ratners Group, achieved a turnover of £17.05m and pre-tax profits of £146,000 in the year to March 28. In the preceding 18 months the figures amounted to £23.54m and £1.69m respectively.

The results reflected the action taken by the directors to rationalise stocks and so facilitate the company's specialisation in the middle to upper section of the jewellery market.

Having regard to the results and the recommended offer they are omitting payment of the final dividend—shareholders received an interim of 1.4p and a total dividend for the 18-month period of 5.3p.

Abdullah group buys 14.4% of CI

By Nikki Tait

A GROUP of investors advised by Mr Ahmed Abdullah, brother of Raschid and Osman, who head industrial conglomerate Evered Holdings, has bought a 14.4 per cent stake in CI Group, West Midlands-based steel and engineering company.

The 6.6m shares were bought by Robert Fleming during the past few days. Fleming is not disclosing the price paid, but yesterday CI jumped 9p to 54½p.

The purchases followed a decision by Evered to dispose of a 20.2 per cent holding in CI. Initially Mr Ahmed Abdullah offered to buy this at 43p a share, but the stake was eventually placed at 46½p with institutional investors.

Yesterday Fleming said that the 14.4 per cent holding could have come from some of these institutions, but it had also bought from existing shareholders.

CI Group indicated earlier that it was fairly agreeable to Mr Ahmed Abdullah's consortium buying the Evered stake. Yesterday, CI's non-executive chairman, Mr Roy Kettle, also a non-executive on the Evered board, added that the company was certainly not unhappy about the latest purchases.

Cambridge Instrument applies for US quote

By Philip Coggan

Cambridge Instrument, the scientific equipment manufacturer, is setting up an American Depositary Receipt facility and applying to have its shares traded on NASDAQ, the US over-the- counter share market.

The company, which rejoined the London stock market in April, gave notice of its plans yesterday together with the announcement of its preliminary pre-tax profits for the year ended March 31 which, at £7.7m, just pipped the flotation forecast.

During the course of the year, Cambridge acquired Reichert Industries from Warner Lambert adding a new division—optical instruments—and vastly increasing the size of the group doubling turnover to £116.5m £57.7m).

But the difficulties of integrating the US operations of Cambridge and Reichert and the continuing problems of the semi-conductor industry meant that pre-tax profits growth at 59 per cent lagged behind the increase in turnover.

There was a first time contribution of £3.66m on turnover of £43.36m from the optical instruments division and a one-off contribution of £1.2m on turnover of £7.8m from fibre-optics, which was acquired with Reichert and then sold to German glass maker Schott in January.

The pre-tax profit of £7.7m (£4.44m) was struck after interest payments of £1.4m (£773,000). After tax of £1.32m (£413,000), earnings per share were 45 per cent higher at 8.97p (6.17p). No final dividend is being paid but an interim of 0.2p and a second interim of 0.5p were paid earlier in the year.

● comment

When Cambridge rejoined the market, a few eyebrows were raised at the timing of its decision and the flotation was not a great success by the standards of the recent new issue fever. This year is not likely to convince the doubters since the rising tax charge and the full weight of the flotation shares are bound to make a dent on earnings per share. In the long term, Reichert looks a good buy but last year its absorption caused some setbacks in the original businesses; this year, its aim is to reclaim market share, which will probably restrict profits growth. The semiconductor business still awaits the great recovery and the industrial division has yet to show an adequate return —all this indicates that the shares, still only 4p above the 130p offer price are unlikely to be exciting for a while yet. Still Cambridge has come a long way from the loss-making NEB days and another of Dr Gooding's smart deals could yet transform its prospects and justify the prospective p/e of 17.

Victor shares jump

Shares in Tyneside-based Victor Products jumped 11p to 131p yesterday on news that a Sydney-based investment company has acquired a 5.1 per cent holding in the industrial and mining equipment manufacturer.

The 390,000 shares are held by Overseas Corporate Funds. "We know very little about them," says chairman Mr Roy Mann, adding that there has been no direct contact and the Victor is not yet aware of where the shares came from. However, there are a number of hefty long-standing stakes—25.9 per cent is held by the Victor Pension Fund, 10.1 per cent by Derbyshire County Council, and 6.1 per cent Babcock International.

UK COMPANY NEWS

Fitch Lovell rises 17% to £23m

ALTHOUGH TURNOVER fell by £3.48m to £457.73m in the year to April 25, the pre-tax result at Fitch Lovell showed a 17 per cent improvement, from £19.72m to £23.08m.

The directors of this food manufacturer and distributor are recommending a total dividend of 11.3p (10.5p) for the year, with an increased final of 7.5p (7p). They are giving shareholders the choice of electing to receive fully paid new ordinary instead of cash for all or part of the final payment.

The result for the first two months of the current year were ahead of the equivalent period, directors said, and they believed the group was well placed for profitable growth in future years.

Group profit before interest charges amounted to £23.45m (£19.33m). Manufacturing contributed £14.24m (£11.5m) and distribution £9.16m (£7.03m), while disposed businesses added £56,000 (£806,000). Interest took £374,000 (£387,000 credit).

After tax of £6.11m (£4.95m), preference dividend payments and minorities of £39,000 (£36,000), earnings per 20p share worked through at 22.08p against 20.29p. There was an extraordinary £2.36m (£2.02m) debit.

Mr Adolf Winter has retired from the board to pursue his private interests.

• comment

Fitch Lovell's management has changed the group's profile over the last three years, achieving higher margins and reducing its dependence on the unfashionable meat sector. Meat sales were flat and management is looking to expand into healthier food areas and other niche businesses which could benefit from its established distribution network. With 14 per cent of the UK distribution market it is an attractive prospect for predators, and this coupled with the departure of Adolf Winter, who was regarded by the market as important to the company's medium-term prospects casts a slight shadow. But the market in shares has been bullish thanks to good earnings growth and high expectations of movement on the takeover front. It should produce £27m next time, with a prospective p/e of 15 on a share price of 344p; fairly rated against the sector. But earnings growth will reach only around 10 per cent, against the market's 14 to 15 per cent.

AG Barr profits advance 48% to £2.4m

A. G. Barr, Glasgow-based soft drink manufacturer which includes Irn-Bru and Tizer among its brand names, lifted pre-tax profits by 48 per cent in the six months ended April 25 1987.

On sales ahead by 15 per cent to £19.46m against £16.89m, the taxable result rose from £1.6m to £2.37m. The improvement in turnover reflected a satisfactory increase in sales of the company's own soft drinks products, Mr Robin Barr, chairman and managing director, said.

He added that there were also three elements which were absent during the first half of last year — the introduction of Irn-Bru and Tizer branded confectionery, the marketing of surplus empty PET bottles and an exceptional contract packing order which finished at the end of June.

The directors are lifting the interim dividend to 3.25p (2.5p), to be paid from earnings ahead from 17.03p to 25.2p per share. A total payment of 11p was made in 1985-86 when the pre-tax result was £4.47m.

Trading in the second half had started well, Mr Barr reported, and although since May the weather had been disappointing, the directors remained hopeful that the summer would be at least as good as last year.

From a trading profit of £1.94m (£1.31m) the pre-tax figure was struck after interest received up from £286,000 to £432,000. There was also a £77,000 provision in respect of the company's profit linked share plan.

Tax charged increased to £777,000 (£523,000).

Fletcher Dennys losses above forecast at £0.9m

Fletcher Dennys Systems, USM quoted microcomputer systems dealer, incurred losses for the year to end-March 31, 1987 of £901,000 against a previous profit of £403,000 and a forecast made some two months ago that losses in the region of £500,000 were anticipated.

There is no final dividend, although the board expected to make a payment, so the total for the year is the 1.7p paid as an interim.

There was no tax compared with a charge of £161,000. Loss per share was 13.1p against earnings of 3.5p.

The directors said that the company had an extremely difficult year. Overheads were geared to a substantially higher level of sales than was achieved. The low sales volume and consequent trading losses resulted principally from the absence of expected local authority purchases in the final quarter of the year.

Furthermore, completion of a substantial contract, which was expected to have fallen into the period under review, was deferred into the company's current trading year.

In order to mitigate the effect of the company's trading losses and in order and to enable it to take advantage of expansion opportunities, the directors said they were currently holding discussions with another company which may or may not lead to a very substantial acquisition.

The shares tumbled 19p to close at 76p following yesterday's announcement.

Batleys expands to over £2m

Batleys, the Huddersfield-based cash and carry wholesaler, increased its pre-tax profits from £1.73m to £2.01m in the 53 weeks ot May 2 1987. The final dividend is increased from 1.7p to 1.8p for a higher total of 2.3p net against 2.2p.

The directors said construction was progressing well at Edinburgh where the company will open for trading early in November. The new depot at Birmingham is expected to be open for trading next spring.

The finance required for these new developments is covered within existing facilities, but the increased borrowing will result in higher interest charges which will be reflected in next year's accounts.

Group turnover for the year was £230.56m compared with £201.76m. Earnings per share improved from 8.32p to 8.75p.

Chase Inv director takes stake in Glentree

By Philip Coggan

Mr Roger Abraham, a managing director of Chase Investment Bank, is taking a 10.3 per cent stake in Glentree, the North London estate agency which has seen a substantial share price rise since it joined the USM last November.

In May, Mr David Thompson, the co-founder of food conglomerate Hillsdown Holdings, acquired a 54 per cent stake by taking up the directors entitlement to shares under a two-for-one rights issue. Mr Thompson has now said that, in view of his close business connection with Mr Abraham, he wishes to assign a 4m block of shares to Oceanside Trust Number Two Settlement, a trust established by the latter.

Mr Thompson and Mr Abraham are deemed to be acting in concert and permission will be sought to avoid the need for a full offer for the company.

Glentree, which was started by current managing director Mr Trevor Abrahmsohn with City veterans Mr Bob Tanner and Mr Peter Whitfield, has ambitious plans to move the group into financial services.

West Inds profit surges to £308,000

West Industries, construction, engineering and plant hire group, doubled its turnover to £8.82m in the year to March 31 1987 an saw its profits from continuing activities advance from £92,964 to £307,746.

After stripping out losses of discontinued businesses amounting to £29,853 (£53,244) and deducting tax of £75,795 (£16,413) available profits worked through at £202,098 compared with a previous £23,307.

Earning totalled 2.54p (0.4p) and a final dividend of 0.75p makes a net total of 1p (0.75p).

The directors intend to pursue a policy of acquisition and rationalisation to strengthen activities where major opportunities lie, in particular pest control and instrumentation.

Dubilier agrees £25m merger with Coline

BY NIKKI TAIT

Dubilier, the manufacturer of electronic connectors and components, yesterday announced an agreed £25m merger with USM-quoted Coline International, which makes and supplies accessories for electronic test equipment.

The two companies already know each other well, with Dubiliers managing director Mr Chris Bean joining the Coline board as a non-executive director shortly before its USM launch last year.

One of Coline subsidiaries, A. Blundell—which makes precision components and accounts for about half the group's sales—supplies some 40 per cent of its output to Dubilier. In September, Coline also purchased a test probe business from Dubilier for £285,000 cash.

Yesterday, both companies said they could see obvious synergy from the merger, with Dubilier stressing that this will bring in extra capacity. Mr Bean will now become deputy chairman and chief executive of the merged group, and Coline's chief executive, Mr David Blundell, will be managing director.

Under the terms of the merger, shareholders are offered 28 Dubilier shares for every 25 Coline. With Dubilier up 1p to 226p, that values each Coline at 253p. Coline shares gained 5p to 243p—compared to a 110p placing price a year ago.

Shareholders speaking for 52.7 per cent Coline have already given irrevocable undertakings to accept—including directors who still hold about 38 per cent. Both sides said yesterday that the decision not to offer a cash alternative reflected the fact that the deal is a merger with no bid premium intended.

Coline yesterday announced a 31 per cent increase in pre-tax profits for the half-year to end-April, on sales £½m higher at £3.88m. In the last full year, it made £1.33m pre-tax. Dubilier saw profits slip to £5.02m in the year to September 1986, and has reported a 7 per cent improvement to £2.54m in the first half this time.

Under the merger, the 6.39 per cent stake which Molex, the large Chicago-based electronics group, announced it was taking in Dubilier last month, will be diluted to around 4.5 per cent. However, Mr Bean said he believed Molex were entirely supportive of the deal, and hoped that certain Coline products would also be able to use the Molex marketing and distribution network.

Midway lift takes Widney profits to £181,000

Widney, Birmingham-based general engineer, raised profits from a depressed £125,000 to £181,000 pre-tax for the six months to March 31 1987 from a turnover 19 per cent ahead at £4.12m.

The directors said that gross margins had remained constant but overheads had increased at a faster rate than sales.

They explained that this was a result of start-up costs for several large contracts which were only now contributing to sales, and initial costs of longer term projects.

Current trading was described as satisfactory with no areas of weakness and it was anticipated that the results for the second half would show an improvement over those of the first.

The interim dividend is to be 0.4p (0.33p). Earnings amounted to 1.7p (1.1p).

A. Fisher's Florida buy

Albert Fisher Group, the fast-growing food and services company, is to pay up to $3m (£1.8m) for another fruit and vegetable distributor in Florida, to consolidate its leading position in the state.

The latest acquisition is Scalisi Produce, based in West Palm Beach, Fisher will pay an initial $1m in cash and issue 120,792 shares. Additional payment of up to $1.65m depends on profits to August 1990.

Scalisi achieved profits of $319,000 on sales of $6.3m in the year to March. The family vendors have entered into three-year service agreements.

Burns-Anderson stake sold

Shares in Burns-Anderson, the emerging financial services group, added 17p to 238p yesterday after the Richardson twins, West Midlands property developers, reduced their stake from 53 per cent to 29 per cent.

Panmure Gordon, the company's recently appointed brokers, placed 5m shares at 217p with a wide spread of institutions including some existing shareholders.

Based on the 115p cash price with which Dudley, one of the Richardsons' companies, won Burns in January, the disposal provided Mr Roy and Mr Don Richardson of about £5m. Dudley and Regentcrest, another Richardson company, had previously sold other shares.

The brothers intend to continue as non-executive directors and to retain their remaining shares.

Albion stake

Harvard Securities has acquired an interest in 429,500 share in Albion or 11.45 per cent.

Daejan rises 22% to £18m profit

PRE-TAX profits at Daejan Holdings increased by 22.5 per cent in the year to the end of March 1987. Directors of this property investor and trader had said at the halfway stage that they were expecting a satisfactory increase in profits.

Earnings per share came out at 76.38p (49.08p) and the directors are recommending a higher final dividend of 12p (9p) making a total for the year of 17p (14p).

Rent and charges receivable were higher at £21.91m (£19.39m) reduced by property outgoings of £11.85m (£10.88m). The surplus on sale of properties was also higher at £12.67m (£10.28m). There was £625,000 (£799,000) of other income.

Administration and other expenses took £2.2m (£1.7m) leaving taxable profits of £18.33m (£14.96m).

Symonds Eng.

Symonds Engineering, Hertfordshire - based precision engineer, achieved a jump in pre-tax profits from £37,438 to £254,439 in the year to end-March 1987.

The directors of this close company are recommending an increased final dividend of 0.7p (0.6125p) making a total of 1p (0.9125p) for the year.

Turnover improved from £3.72m to £4.39m, and after tax of £87,537 (£11,132) earnings per 5p share worked through at 1.643p (0.237p). There was an extraordinary credit of £96,923 (£77,695).

COMPANY NEWS IN BRIEF

WILLIAMS HOLDINGS: Applications have been received from qualifying ordinary and convertible shareholders to acquire 29,474,328 (81.2 per cent) of the new ordinary to be issued as consideration for the acquisition of Crown Paints, Polycell and other businesses. The remaining new ordinary to be issued will be made available to the institutions with whom they were conditionally placed.

EDINBURGH Fund Managers is moving up from the USM to a full listing. The company joined the USM in October 1983 but in view of its growth since then now feels it appropriate for shares to be admitted to the Official List. Dealings are expected to start today. Company has made an encouraging start to the current year.

F. J. C. LILLEY has disposed of Wilson Pipe Fittings and the Irvine Spring Company, thereby completing the disposal programme of certain businesses announced in January. The net cash proceeds from the two disposals were estimated at £750,000 and would be used in reducing group debt.

CATTLE'S (HOLDINGS) has entered into an agreement to acquire Richard Williams (Furnishings), retailer of household textiles operating from 17 branches in the Midlands. Consideration of £1.71m will be satisfied by the issue of 2,759,548 new fully paid ordinary shares. Robert Wigram & Co will place 2,719,226 of the consideration shares on behalf of the vendors. Williams profits before tax for year ended February 19 1987 were £142,883.

CHRISTIAN SALVESEN (temperature controlled food distributor): company now has in place a sponsored ADR (American Depository Receipt) facility in the US. These ADR's, each of which represents 5 Salvesen shares, will be traded on the American Over the Counter market. Citibank NA has been appointed depositary agent for the facility.

A CAIRD & SONS has received notification from Cardiff Property and Amalgamated Financial Investments that they have sold 750,000 and 650,000 ordinary shares in the company, respectively. Their remaining holdings have fallen below the disclosable level. The shares were placed with financial institutions.

MONKS & CRANE (engineering tools).—The year had started very strongly and the company was above budget and well set to take advantage of any further opportunities that might arise, Mr A. Spacie, chairman and chief executive, told the annual meeting.

EUROPEAN CORPORATE, an Australian publicly quoted company, has declared itself to be a beneficial owner of 1.13m shares (8 per cent) and 87,000 warrants in Asset Trust. The directors of EC consider Asset Trust to be an attractive and well managed long-term investment proposition.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim: Westwood Dawes.

FUTURE DATES

Interims—	
First Leisure	July 23
March	July 15
Trust of Property Shares	July 16
Finals—	
AIM	July 20
ASDA-MFI	July 15
BTS	July 23
Bristol Channel Ship Repairers	July 17
Dyson (J. and J.)	July 24
Fleming Overseas Invest. Trust	July 14
Graig Shipping	July 16
Misys	July 29
Parkfield	July 15
Preedy (Alfred)	July 14
Thorpac	July 17
Tops Estates	July 15

Where strength comes from a tug at the heart strings

Peter Marsh looks at a plastic manufacturing technique which has applications in areas as diverse as aerospace and French vineyards

MOTORISTS DRIVING over a bridge in north-east England are soon to witness an unusual event. They will view construction workers fixing to the underside of the structure a mammoth, light-grey covering, in what will become one of the world's biggest schemes involving glass-reinforced plastics.

Steel girders holding up the bridge, over the River Tees, near Middlesbrough have corroded. The plastic structure, of total area some three times that of a full-size soccer pitch, will serve not only as a maintenance platform but as an enclosure to protect the girders from further rusting.

The covering, which will cost about £1m and was devised by Maunsell Structural Plastics, a UK engineering consultancy, illustrates the growing uses for light, strong and corrosion-resistant composites made by a process called pultrusion.

In pultrusion, which has become important because it lends itself to high-volume applications in which shaped sections, can be turned out relatively cheaply, a bundle of fibres is pulled by a winding mechanism through a resin bath and then through a heated die.

After cooling, the process results in a strong composite, in which the fibre is normally either glass or carbon, and is typically in the form of a woven fabric.

In the River Tees structure, on which Maunsell is working on behalf of Britain's Transport Department, pultruded components will be made in the form of thin plastic planks with a total length of some 24m. The planks will then be bound together to form a framework under the bridge.

Engineers have used a similar process to build a deck for an oil platform operated in the Gulf of Mexico by Shell, the multinational oil company.

Pultruded components are also used in the wing struts of the A320 aircraft made by Airbus Industrie, the European aerospace manufacturer, as well as in skis and electrical equipment. A growing application in France is in pultruded components which are used to hold up vines.

A continuous production process fits in with a growing trend in the composite-materials industry towards high-volume applications

Pultrusion, which is also used to make sports goods such as tennis racquets, has even earmarked for outer space. Engineers in the US have investigated the process as a way of building the large sections which could be used in space stations and other orbiting structures.

The process is similar in principle to extrusion, in which anything from plastics to dough-based materials used in snack foods are pushed through a tube to be moulded into specific shapes under pressure. It has been in use, mainly in the aerospace industry, since the 1950s, but applications, particularly in Europe, have only recently begun to take off.

According to John Marcantonio, a consultant with IAL, a London market-research company, the biggest advantage of the technique is that it produces material continuously rather than in small batches. Accordingly, it fits in with the growing trend in the composite-materials industry to seek high-volume applications for these substances.

In recent years Shell has emerged as a leading force in pultruded plastics. The company owns Morrison Moulded Fiber Glass, based in Bristol, Virginia, and which claims to be the world's biggest pultrusion company.

Gordon Brown, marketing manager of Morrison, says his company accounts for roughly a quarter of the $200m worth of pultruded plastics sold each year in the US, a market which is increasing by about 10 per cent a year.

Shell strengthened its position in this industry by buying, in February, Fibreforce Composites, which is based in Runcorn, Britain, and is one of Europe's biggest makers of pultruded materials.

Barry Ward, a Shell manager involved in new business ventures, says the purchase was attractive because of the rapid growth prospects for pultrusion in Western Europe. Ward believes that the market for pultruded plastics in Europe is worth $30m-$50m a year but is "relatively undeveloped."

In the US, one of the biggest applications for pultruded plastics is in ladders, particularly in the electricity-supply industry.

Electricity workers view plastic ladders favourably because, being non-conductive, they do not transmit current and reduce the risks of electric shocks. Leading makers of fibreglass ladders include Keller and Louisville Ladder.

Another major use of pultruded sections is in railings and other fittings used in chemical plants. Here, the advantage is that the components are both strong and resist the corrosive atmospheres likely in such installations.

Morrison of the US has had some success in making pultruded rods, called sucker rods, used in pumps in oilfields. The plastic materials replace steel—which is heavier—and increase the amount of oil which can be brought to the surface in each stroke.

A new application in the US is in pultrusions reinforced by glass and carbon fibres which are inserted in a thin aluminium tube. The components are light, but strong, and are used by General Motors to form the drive shafts in small trucks.

Such shafts are easier to produce in one piece than sections made from steel. Pultruded components have been used for some years in the car industry, for items like panels, but this is one of the first applications where the section has to bear high loads.

Manufacture of pultrusion machines is a small and specialised business. Companies involved in pultrusion are likely either to develop the systems themselves or buy them from the few concerns, such as Pultrex of Britain or Goldsworthy and Pultrusion Technology of the US, which turn out the equipment. Pultrex, based in Clacton, Essex, has sold 65 pultrusion machines, costing £35,000 to £100,000, since the company was formed in 1974.

In Britain, British Gas is a large user of pultruded tubes, which form a covering for underground pipes. GEC Reinforced Plastics has specialised in applications in the electrical-goods and transport industries, while Alan Kennedy, a company in Stockton-on-Tees makes pultruded components for items such as ladders and structural supports.

Glass-reinforced plastic covering the underside of the bridge over the River Tees, near Middlesbrough, will serve as a maintenance platform and as an enclosure to protect steel girders from further rusting

Composites take automatic route to a wider European market

COMPONENTS made from pultrusion add up to a relatively small, but growing, section of the composite-materials industry, according to IAL, a London-based consultancy.

The company has analysed applications for composites based both on thermoset and thermoplastic materials. In thermoset materials, the resin into which a fibre is laid is often an epoxy material. The resin is set hard by heating and the process cannot be reversed.

In thermoplastic composites, uses of which are less well established but which are growing at a faster rate, the main component of the material is a polymer such as a polycarbonate or a polyamide which softens on application of heat in a reversible process.

According to recent reports by IAL*, the market in Western Europe for thermoset components is worth some £880m a year and is growing at an annual rate of 5 per cent. About £480m worth of thermoplastic materials are sold in Western Europe each year, with the total growing by about 10 per cent per annum.

The composites industry is, says IAL, turning to high-volume production techniques in which materials can be made in an automated fashion. Currently, composites manufacturing is relatively labour intensive.

In a widely used method, fabric made from fibre is laid by hand into the right shape and resin mixed in later. In an alternative, often seen in the aerospace industry, workers build up pre-impregnated fibres in the form of tapes to produce components such as propeller blades.

Besides pultrusion, composites companies are finding more applications for filament winding, in which fibres are wound continuously into shape on a mandrel, a cylindrical rod which can be made to turn in a variety of axes under computer control. The fibres, which can be wetted with resin either before or after winding, can be made into complex three-dimensional shapes.

One of the biggest users of filament winding is the aerospace industry, which makes with the technique components such as casings for missiles and domes for shielding communications equipment.

*Advanced Engineering Materials in Europe: Thermoplastic Composites and Thermosetting Composites. Two reports available from IAL, 14 Buckingham Palace Road, London SW1 0OP at £3,500 each.

Clean sweep of optical discs

PHILIPS Research Laboratories in Eindhoven, The Netherlands, has discovered that some semiconductors (gallium antimonide for example), when "doped" with small quantities of undisclosed chemicals, offer prospects as erasable optical recording materials. Optical discs on the market at the moment cannot be erased and so have limited applications.

Work has been in progress for five years in most of the major electronics groups to try to perfect an erasable material. A large market will open for the winners because optical discs are much more capacious than the magnetic kind currently used in computer systems to write, read, erase and re-write data.

The Philips materials are deposited on the disc surface as a thin crystalline layer. To record, a microscopically small laser beam is pulsed on and off as the disc rotates, to represent digital data. This produces tiny amorphous melted spots which have different reflective properties to their crystalline surroundings — allowing a laser/light sensor unit, on playback, to read them as digital data. To erase, the laser heats the spots to just below melting point, whereupon the amorphous areas revert to the crystalline state again.

Philips is also actively researching magnetic-optical materials. These are also erasable but need more complicated record / playback heads because electromagnets as well as lasers are involved.

A low-cost form to the business

BUSINESS FORMS like bills and invoices can be produced and printed in a computer room on a continuous basis, using standard rolls of paper direct from the mill, with a system from Fobelmac in Switzerland. Known as Osmobufs (optical self-moving business forms system), it is available in the UK from Prodemco of Tunbridge Wells.

The companies believe Osmobufs makes pre-printed forms redundant and can produce up to 60 per cent savings in paper costs. The system unwinds and perforates the paper and prints static data like company logotype and form structure in up to four colours on a single pass. Then, under computer control, a laser printer adds the variable or personalised data.

Osmobufs uses multi-cell optical sensors aimed at various points on the paper web. Via microprocessors, these synchronise the speed of each unit with that of the final laser printer, ensuring a tensionless paper flow. None of the individual units is mechanically linked to the next.

Personal control is on display

A SMALL UK company, Rectronix of Thatcham, near Newbury, is offering to retailers and others a message display system that can be controlled from a personal computer (PC) such as the Amstrad or IBM XT.

With a display area of 790 mm x 50 mm, the unit can be made to show a fixed message of a few words or a moving one of many words. The messages can be held in the computer and selected from menus on the PC screen, or they can be keyed in and displayed immediately. The unit costs £418.

Edited by Geoffrey Charlish

CONTACTS:

Philips Research: The Netherlands, 40 756181. Prodemco: UK, 0892 45426. Rectronix: UK, 0635 69663.

Holding rivals at bay with quick draw tactics

Christopher Lorenz compares the contrasting approaches of two top engineering companies to computer aided design and manufacture

THE MONDAY before its shutdown for the summer holidays, one of Europe's leading engineering companies received a desperate cry for help from a biscuit manufacturer. A frantic voice rasped down the phone: "We've smashed our custard cream roll!"

Instead of taking the standard five months to design and make a new roll—the £10,000 roller which stamps and cuts biscuits to their particular shape and decoration—a replacement was on its way in just four days.

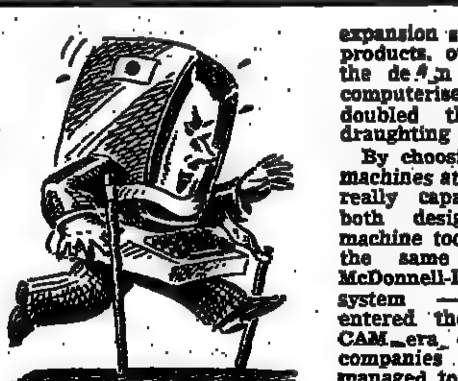
For the engineering supplier, Baker Perkins, the incident was no chuckling matter, but a major milestone in the use of computer-aided design and manufacture (CADCAM) to boost its international competitiveness. Instead of following the laborious old procedure of making a hand-drawn template, and then copying it in hard metal, the design was done on a computer, which converted it directly into numerical information to control the machine tool that cut and shaped the roll.

"Until the advent of CADCAM, we'd been really stuck," says Ron Jackson, who has co-ordinated its introduction at Baker Perkins' main base in Peterborough, 75 miles north of London, and throughout the company. "Design-to-delivery cycles of five months were far too long, especially for our export customers."

With four-fifths of its output exported — in its extensive printing machinery business, as well as in baking equipment—Baker Perkins has been using the acceleration of design, development and manufacturing times as a key competitive weapon for over a decade. This has allowed it—especially in magazine printing machinery—to steal a march on its established American and West German competitors, and hold its own against the emergent Japanese.

Its latest piece of printing equipment, a £500,000 machine for folding and cutting magazine pages as they come off the press, took barely two years to develop and launch, half as long as its predecessor eight years ago. Development times for entire £2m-plus printing presses have been shaved by a third since the late 1970s, to two years, and order-to-delivery cycles for food processing plants worth upwards of £1m have been cut by two-thirds to barely four months.

Since most food plants are heavily customised, even this ultra-short timescale has to include extensive design work. "With customers making decisions later these days, and demanding earlier delivery, you have to be very quick on your feet," says Ron Jackson—hence his delight at the custard cream episode in 1982.



The speed at which Baker Perkins can bring new products to the market is one of many factors which prompted its acquisition earlier this year by APV, a fellow British process equipment maker with a range of complementary businesses. Baker Perkins' technical director, Charles McCaskie, who championed most of its development improvements over the past 15 years, has been given technical responsibility for the entire APV-Baker group.

The streamlining of product development at Baker Perkins has been achieved through several parallel steps. Adventurous in some respects, cautious in others, they have helped the company make a series of breakthroughs — on cost and quality, as well as timing — while avoiding the sort of automation disasters that have become littered across the industrial landscape of Europe and North America over the past few years, at General Motors and many other companies. As a result, Baker Perkins has just won Britain's 1987 CADCAM User of the Year Award.

Its key steps over the past 10 years have been:

1. The steady introduction of a stream of production improvements, ranging from many more computerised machine tools to a "cell" approach to component manufacture, which gives more effective cost and workflow control than a conventional machine shop layout. But materials handling is still manual, and Baker Perkins has concentrated on the construction of "islands of automation," rather than the much-touted but problematic ideal of fully computer-integrated manufacturing (known as CIM).

2. A sustained programme of standardisation and greater modularity in product and production design, in order to reduce complexity and cost. The number of parts, hole sizes, thread types, fasteners, jigs and tools has all been reduced sharply.

3. The installation of an advanced CADCAM system as long ago as 1977, and its steady expansion since then: for some products, over 70 per cent of the design drawings are now computerised, which has doubled the speed of the draughting process.

By choosing one of the few machines at the time which was really capable of generating both design drawings and machine tool programmes from the same database — A McDonnell-Douglas Unigraphics system — Baker Perkins entered the integrated CADCAM era early; many other companies have only just managed to link the two sides of their systems. But Baker has been proceeding ever since "in reasonable steps," as Ron Jackson puts it, rather than making the mistake of rushing to use the system's most advanced features, such as the ultra-fashionable three-dimensional modelling of components and panels.

Jackson is extremely critical of what he calls "all the hype about 3D," insisting that "for our sort of product, and those of many other companies, working in two dimensions is quite sufficient." It may be an asset in the design of products with complex curves — such as cars, aircraft and some consumer appliances — "but 3D is not really appropriate for us because of its cost and complexity," he says. "Yet many companies seem to feel they're not masculine unless they work in 3D."

Ron Jackson: "Until the advent of CADCAM we'd been really stuck"

4. Above all, the company has benefited from its long-standing use of multi-disciplinary teams to design new products, in preference to the conventional — but more cumbersome — department-by-department development process used by most European and American companies. The drawbacks of this "relay" approach were described in earlier articles in this series; it is particularly ineffective when used in conjunction with CADCAM.

The need to match CADCAM with appropriate organisation structures — to marry items three and four, in other words — appears to have been almost wholly ignored by General Motors, and many other companies, in their recent rush into computer-intergrated design and manufacture. "That's why CAD stands for Computer Aided Disaster in many companies," says Chris Voss, professor of manufacturing strategy at Britain's University of Warwick.

Having studied the use of CADCAM by companies in the US, Australia and Britain, Voss complains that "though they have installed it to facilitate integration between different parts of the organisation, especially design and manufacture, many of them have failed to accompany it by organisational integration." They have simply automated old procedures, thereby reinforcing the existing departmental barriers. Companies such as Baker Perkins and Allen-Bradley (see inset) are shining exceptions.

At Baker Perkins, organisational integration was already well advanced before the decision was taken to introduce CADCAM. The company's pioneering use of multidisciplinary teams owes much to the insistence of Charles McCaskie in the early 1970s, though it also grew naturally out of Baker Perkins' close-knit, product-oriented, culture, and the shortness of its lines of communication. More recently, APV, its new parent, has been developing a similar team approach to development.

At Baker Perkins, "design engineers and production specialists were sitting down together and making joint decisions well over 10 years ago," says Alan Eldred, manufacturing manager of the printing machinery business.

Even at that early stage, they were joined as members of a three-person core development team by industrial designers; Baker Perkins makes exceptionally intensive use of industrial designers, not only for their sketching ability, but also as communicators and catalysts between the various engineering functions, and between them and marketing.

Despite this team working, "there still used to be arguments between design and production people about particular shapes, the size of radiae and so on," says Eldred. The arrival of CADCAM, with its common database for all functions, helped put an end to all that—standardisation is now rigidly enforced.

With the introduction of CADCAM, the existing team approach was reinforced by putting five different groups of specialists—design engineers, detail draughtsmen, jig and tool draughtsmen, machine tool programmers, and plant engineers—together in one room for all their work on the computer. "Ever since they've been able to pick upeach other's omissions and mistakes as they go along," says Ron Jackson.

For some product lines this approach is now being refined by a formal merger of the drawing office with part of production engineering. Other changes this year include a further tightening of CADCAM integration through the introduction of direct computerised control of machine tool cells from the common database, by-passing the interim stage of making paper control tapes for the machines.

Such shoulder-to-shoulder working is relatively rare outside Japan. In many other western companies, as Jackson points out, designers, production engineers, and so on "are not even on the same site. At one company I know, there's literally a minefield between them."

Diehard organisations like that have no chance whatever of keeping up with the product race, let alone of winning it.

Previous articles in this series appeared on June 17, 19, 26 and July 3. The series will be concluded next Friday.

Allen-Bradley: a multifunctional approach and painless introduction of 'CIM'

BY CUTTING development times on a wide range of products by between 60 and 70 per cent, Allen-Bradley, a leading American maker of industrial controls, has done just as well as Baker Perkins in the product race. But some of its tactics have been very different.

Its first breakthrough was made in 1984, following a decision two years earlier to launch an entirely new design of contactor unit for starting electric motors. Faced with growing competition from European suppliers such as ASEA, Telemécanique, and Siemens, Allen-Bradley cut the design and development cycle from seven to two years, halved development costs, and reduced product cost by 40 per cent, from $10.19 to $6.42.

For the first time, the company adopted the Baker Perkins approach of using a multifunctional project team. "All the disciplines worked simultaneously, instead of using the traditional end-to-end cycle," says Tracey O'Rourke, AB's president and chief executive. New production equipment was also designed in parallel with the product, rather than afterwards.

The project was so successful that all the company's product development and marketing has since been reorganised along similar "product management" lines. Production has also been restructured to give much more priority to new products, says Larry Yost, vice-president for operations, who led the contactor team.

Technologically, however, AB's approach was almost the exact opposite of that taken by Baker Perkins. Instead of using computer-aided design from the start, and moving cautiously towards automation, it initially gave CAD a miss but built a fully computer-integrated manufacturing (CIM) plant in Milwaukee, Wisconsin. As recently as a year ago it was claimed to be "the world's most advanced assembly line."

Whereas most Baker Perkins products are extremely complex to design, involve extensive changes from order to order, and are made by batch manufacture, contactors are a simpler mass-production item and their design changes less frequently, even though AB offers about 150 varieties. So the initial emphasis on traditional design techniques allied with flexible manufacture was thoroughly logical. It also spared AB the pain suffered by other US companies which have tried to introduce CAD and CIM together.

Since 1985 AB has started to introduce CAD for selected components and tools. The benefits so far include a cut of 75 per cent (to less than six weeks) in the time taken to design and make stamping dies for contactors' plastic mouldings. But Larry Yost shares Baker Perkins' scepticism about the value of 3D CAD modelling. "We're not using it because we don't need to," he says.

COMMODITIES AND AGRICULTURE

Judge attacks Tin Council secrecy

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE INTERNATIONAL Tin Council was accused by a High Court judge yesterday of behaving "more like a disreputable private debtor concerned only to hinder and delay his creditors than the responsible international organisation it claims to be."

Mr Justice Millett made his comment when he ordered the ITC to disclose full details of the "nature, value and location" of all its UK assets to one of its creditors within seven days.

The order was granted to Maclaine Watson, a London Metal Exchange trader and £6m creditor of the ITC.

The judge said that the company could apply to the court to have the order extended to the ITC's assets outside the UK.

The operation of the order was suspended for 14 days to give the ITC time to lodge an appeal. If it does so the stay will be extended until the appeal has been ruled on.

Mr Justice Millett said that, having failed to persuade the court to appoint a receiver over the ITC's alleged right to call on its member states to contribute to its debts, Maclaine Watson had lowered its sights and was trying to recover the £6m it had been awarded at an arbitration from the ITC's own assets.

The ITC had no immunity from legal proceedings to enforce Maclaine's arbitration award but difficulty had arisen from the lack of information as to the extent and whereabouts of its assets.

The ITC had refused all Maclaine's requests for information about its assets, in particular its bank accounts, against which the award could be enforced.

Maclaine had therefore come to court seeking an order for disclosure and, the judge said, he could see no reason for not making such an order, which Maclaine needed to help it enforce its judgment.

It was, he said, the English courts' policy to prevent a defendant removing or concealing its assets so as to deny a successful plaintiff the fruits of his judgment.

Maclaine had accepted that the court had no power to make the ITC's executive chairman, who had immunity from legal process similar to that given to diplomats, to provide the information.

However, the judge said, he did not accept the ITC's argument that others of its officers had the same immunity from being compelled to give evidence about anything known to them by virtue of their official position.

Maclaine had asked that an ITC officer be ordered to attend court to give oral evidence about its assets but the judge did not think that necessary.

He ordered that an ITC officer be nominated to verify by means of an affidavit, within seven days, the details of its assets within the UK.

The ruling was one of the few successes so far achieved by the ITC's creditors in the stream of court hearings stemming from the Council's collapse, with debts running into hundreds of million of pounds, in October, 1985.

Last month a judge ruled that certain ITC documents were not inviolable and could be used as evidence. Judgment on the ITC's appeal against that ruling is expected shortly.

On the debit side, as far as the creditors are concerned, the courts have refused to order winding-up of the ITC or to appoint a receiver of it and held that its members—23 states and the European Community—are not liable for its debts.

Maclaine Watson will be back in court on July 20, when the UK Government, acting through the Department of Trade and Industry, will apply to have Maclaine's attempt to make it liable for the company's debt

Oil prices rise to 19-month high

By Lucy Kellaway

OIL PRICES yesterday moved to the highest levels since January last year, with West Texas intermediate breaking through the $21 a barrel mark on the New York Mercantile Exchange.

In London the price of Brent oil moved up by 30 cents to about $19.60 for delivery in August.

Some traders yesterday expressed surprise at the market's latest show of strength. Others pointed to yesterday's attack by Iran on a tanker in the Gulf as a possible cause of the recent move, and said that the market remained in confident mood following the agreement on production cuts reached at the end of last month by members of the Organisation of Petroleum Exporting countries.

The recent strength in the oil price has been greater in the New York market than in London, and has led to a widening in the spread between the price of West Texas Intermediate and Brent. Yesterday afternoon, with WTI trading at about $21.17 a barrel, the gap between the two grades widened to some $1.60—nearly three time the spread prevailing last autumn.

Australia faces coal crisis

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S coal mining industry moved a step closer to crisis point yesterday with a decision by 6,000 workers in 42 New South Wales mines to remain on strike over prospective cuts in jobs and in overtime and leave pay.

The miners stopped work on Wednesday night and voted yesterday to stay out until Sunday. Their action came despite the announcement of a A$30m (£13m) emergency assistance package to help with restructuring.

Although a national strike has been averted so far, the timing of the New South Wales decision is an embarrassment for the Labor Government, which is seeking re-election at the polls tomorrow.

The gravity of the situation is underlined by figures confirming that coal was Australia's biggest commodity export in the 1986-87 financial year which ended last month, earning A$5.2bn. Production in New South Wales in the same period climbed 14.6 per cent to 88.4m tonnes, almost half of which was exported.

Despite the trend, the industry is facing weaker export prices and greater competition in over-supplied world markets, and the outlook for the coming year is gloomy.

Exporters are suffering significantly reduced prices for both coking coal and steaming coal, and have not been helped by the strengthening of the Australian dollar since last September. Negotiations with Japanese steel and power companies have been especially difficult.

A report prepared by the Joint Coal Board of New South Wales, details of which were released last month, forecast the early closure of up to 20 collieries in New South Wales and Queensland with the loss of some 3,000 jobs.

Those most vulnerable are the more costly underground operations. Some two dozen mines have already been shut down since 1983, with the loss of around 2,500 jobs. This year alone there have been six closures.

In May, Austen and Butta, a mining concern 45 per cent owned by the Royal Dutch Shell group, said it would close two New South Wales mines and withdraw from another development in Queensland.

Even the sale by BHP of its Saxonvale mine to a subsidiary of Peko-Wallsend has been stalled over the issue of job losses.

Yesterday's strike action particularly involves Coal and Allied, the largest coal company in the Hunter Valley. It warned workers last week that overtime and leave bonuses would have to be abolished or some 1,500 jobs would be lost. Even with the changes, several hundred jobs are supposed to go.

Talks took place yesterday between the Miners' Federation, the Australian Council of Trade Unions and Mr Barrie Unsworth, the New South Wales state premier. Further discussions are being sought with Mr Bob Hawke, the Prime Minister, and one idea being discussed is the establishment of a national coal authority.

The industry's difficulties have inevitably been reflected in the share market, where coal company stocks have failed to keep up with the generally firm trend.

Australia's future as a coal exporter remains assured, however. It is already the world's biggest exporter, and it has many large and accessible deposits of fine quality coal.

LME considers future of copper contract

By Our Commodities Staff

THE LONDON Metal Exchange plans to hold talks with the International Wrought Copper Council and other interested parties on the future of its standard copper contract.

The low level of stocks in LME registered warehouses and the small volume of trading in the contract was discussed at an exchange committee meeting yesterday. But because the contract is widely used by the industry as a pricing medium it was agreed that further discussions should take place before its fate was decided.

Belize builds up banana hopes

BY DAVID BLACKWELL

BELIZE, which at the moment earns the bulk of its foreign currency from sugar exports, aims to make bananas its top export crop within four years.

The tiny Central American country—population 150,000—has been rapidly expanding the acreage down to bananas since 1985, when the incoming Government privatised the industry. That year 10,000 tonnes of bananas were harvested from 1,300 acres.

This year 24,000 tonnes, worth US$11m, were taken from 2,800 acres. The country's growers plan to have 4,000 acres of banana plants and a 50,000 tonne crop next year.

The entire crop is taken by Fyffes, the leading UK banana importer, and sold in the UK under the Lome convention, which gives former colonies access to EC markets. Belize shares the 330,000-tonne UK market, which is estimated to be rising by 6 per cent a year, with Jamaica, Surinam and the Windward Islands.

Belize's crop is small by world standards—the top exporter is Ecuador with 1.37m tonnes—but it is vitally important to a country which depends entirely on agricultural produce for export earnings.

At the moment it sells $22m worth of sugar and $18m worth of citrus fruits. But the US has cut its sugar quota by 41 per cent, and the depressed market is fetching poor prices. By 1991 it hopes to be earning $40m from 100,000 tonnes of banana exports.

"We see the development of bananas as having a multiplier affect on the economy of the south—the least developed part of the country," says Mr Dean Lindo, Belize's Minister of Agriculture, who is in London to commission a survey by the Overseas Development Authority of the prospective site and costs of a new port at Big Creek.

He regards a port in the southern part of the country as essential to increase the profitability of the crop. At present all bananas from Belize have to be loaded into barges and taken to Honduras or Guatemala before they are loaded onto the ship for the UK. The extra handling costs eat into the profits.

Belize puts the cost of a wharf and dredging at Big Creek at about $4m to $5m. The port would be viable as soon as exports reached 100,000 tonnes a year. But Mr Lindo has been frustrated at the lack of available finance from international lending agencies.

Bananas are remarkably resilient plants, producing a new crop from sucker shoots within six months of the main stem being knocked down by a hurricane—a hazard that has to be faced on average about once every seven years.

Even so the growers, who have borrowed from commercial banks to finance their expansion, could be in deep trouble if a hurricane devastated the crop now.

"Millions have been invested in the past few years. We can't turn back now—we are committed," says Mr Lindo. "A lot depends on what happens in bananas now."

Making the most of rubber trees

BY WONG SULONG IN KUALA LUMPUR

IF YOU visit a furniture showroom and are attracted by a beautiful furniture set which the salesman tells you is made from "Malaysian oak," do not be taken in.

Oak does not grow in Malaysia, or for that matter in any tropical country. Malaysian oak is rubberwood.

Ever since the seeds of "hevea braziliensis" were smuggled out from Brazil more than a century ago, the rubber tree has been planted with one purpose — to obtain the milky latex from which rubber is produced.

When the rubber trees are about 25 years old they are cut down to make way for new stock and, until quite recently, the old trunks have mostly been as fuel.

There is now a growing awareness, however, that rubber tree trunks, which can reach 40 ft, with an 18 in diameter, represent a valuable source of timber, especially as the country's forest areas have been declining rapidly.

The potential of rubberwood was first realised in the late 1970s when some wood-based industries experienced a shortage of traditional hardwood.

Malaysia is the world's biggest producer of rubber and has 2m hectares of trees, of which about 60,000 hectares are replanted each year. The felled trees yield about 6.5m tonnes of green timber and about 75 per cent is being used for some economic purposes: 3m tonnes as fuel; 1.6m tonnes as charcoal; 400,000 tonnes as sawn timber, blockboards and chips; and 30,000 tonnes as logs.

Exports of rubberwood as sawn timber, while still small, have risen sharply. The main destinations are Singapore, Japan, and Taiwan, where it is used for furniture, panelling, parquet flooring, and novelty items. New markets include the US, Hong Kong and Australia.

Rubberwood has a pale, creamy colour, without pronounced grain, and is about a third cheaper than ramin, a similar looking timber which is widely sold in do-it-yourself shops and used for moulding.

There is a growing acceptance of rubberwood among the world's furniture makers. It is easy to work with and stains well.

"It is a light hardwood which, if properly dried, will retain its shape well, and will not distort or split under normal conditions of usage," said one Malaysian manufacturer. In the past five years factories exploiting rubberwood for sawn timber, mouldings, and furniture products have sprouted all over Malaysia. There are now probably a hundred, most of them small-scale operations.

"The industry is in its infancy and is pretty disorganised," said an official from the Malaysian Industrial Development Authority.

"The recovery rate is very low—as low as 25 per cent from the trunk. But we feel recovery can go up to as high as 80 per cent if operations are modernised and integrated."

MALAYSIAN RUBBERWOOD SAWN TIMBER EXPORTS

	Cubic metres	Million Ringitt
1985	120,000	34.6
1984	96,000	29.0
1983	53,000	16.7

Source: Ministry of Primary Industries

Some big names are already in the market. Universal Furniture Company of Hong Kong, a leading furniture exporter, already has a rubberwood sawn timber plant in Johore and plans to invest 40m ringitt (£9.7m) in a furniture factory nearby.

Sime Darby, the Malaysian plantation-based conglomerate has teamed up with Hyundai of South Korea to produce rubberwood furniture. Their 30m ringitt venture will start production later in the year.

Under the Malaysian industrial master plan, it is hoped furniture exports will reach 400m ringitt a year by 1995, and officials see a sizeable portion being based on rubberwood.

The plan has identified furniture manufacture as a priority area because of the ready availability of materials, high valued added and employment potential.

Last year, Malaysia earned R4.7bn from timber exports, but only R30m was from furniture.

Rubberwood can also provide pulp for paper-making. There is already a commercial process, chemi-thermomechanical pulping, which can be applied to rubberwood which can cut energy consumption and latex content sharply.

Looking further ahead, the Malaysian Rubber Task Force report has suggested that rubber trees should be planted in Malaysia's reafforestation programmes.

This has twin attractions. The trees will provide a reserve of timber, but in the event of a drastic world shortage of rubber which could not be met by the estates, the rubber forests could be opened for tapping.

"In this way Malaysia would have a worthwhile timber resource which would provide a "reserve bank" of natural rubber," it said.

LONDON MARKETS

LEAD prices on the London Metal Exchange bounced back yesterday following Wednesday's setback. The cash position ended the day £6.50 up at £431 a tonne, while the three months quotation closed at £411.75 a tonne, up £6.25. Dealers said the firmer tone was aided by talk that American Bureau of Metal Statistics figures for June would show a stocks fall of 11,000 short tons to 21,000, an exceptionally low level for the summer period. Copper prices fell back again, reflecting an overnight decline in the New York market. The three months price dipped to £1,016 a tonne early in the afternoon but steadied in late trading to close £10.25 down on the day at £1,021.50 a tonne. The cash position ended £8.50 down at £1,033.50 a tonne, having retreated nearly £20 from Monday's 22-month closing high. But dealers said the retracement appeared to have refreshed the undrlying bullish mood of the market and some were looking for a resumption of the interrupted uptrend, while not ruling out further downward "correction" first.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or −	High/Low
Cash	—	—	—
3 months	1585-7	−5.5	1587/1585

Official closing (am): Cash (——), three months 1,585-8 (1,603-4), settlement 534.5 (536). Final Kerb 16.45 (16.48) ringgit per kg. Down 0.03 ringgit per kg.

99.5% purity	£ per tonne		
Cash	986-7	−13.5	992
3 months	931-2	−10	935/933

Official closing (am): Cash 991.5-2.5 (1,009-1,010), three months 934-5 (950-1), settlement 992.5 (1,010). Final Kerb close: 937-8. Ring Turnover: 18,900 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or −	High/Low
Cash	1033-4	−8.5	1035/1033
3 months	1021-2	−10.25	1030/1016

Official closing (am): Cash 1,035-6 (1,070.5-1.5), three months 1,025-5.5 (1,065-7), settlement 1,036 (1,071.5). Final Kerb close: 1,027-8.

Standard			
Cash	1030-5	−2.5	—
3 months	1010-15	−4	1010

Official closing (am): Cash 1,032-5 (1,065-70), three months 1,008-1,010 (1,040-50), settlement 1,035 (1,070). US Producer prices: 79.5-84 cents per pound. Total Ring Turnover: 48,750 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	430-2	+6.5	—
3 months	411.5-12	+6.25	414/404

Official closing (am): Cash 429.5-30 (425-7), three months 408-9.5 (408-9), settlement 430 (427). Final Kerb close: 413-14. Ring Turnover: 8,275 tonnes. US Spot: 38-42 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2795-2805	−15	—
3 months	2835-30	−20	2845/2820

Official closing (am): Cash 2,808-10 (2,825-30), three months 2,835-40 (2,855-60), settlement 2,810 (2,830) Final Kerb close: 2,820-30. Ring Turnover: 774 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	532-3	+3.5	534/532
3 months	520-20.5	+4.75	522/518

Official closing (am): Cash 534-4.5 (535-6), three months 520-20.5 (521-2), settlement 534.5 (436). Final Kerb close: 520-1. Ring Turnover: 11,825 tonnes. US Prime Western: 47.5-48.5 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
		Sept.	Nov.	Sept.	Nov.
Aluminium 99.5%	1,525	55	—	44½	99
	1,550	40	35½	58	116
	1,575	50½	28½	—	—
Copper (Grade A)	1,675	60	—	70	107½
	1,700	40	55	85	123½
	1,725	32	46½	—	—
	£/tonne				
Copper (Grade A)	1,025	28	—	26½	43
	1,050	18	24½	39	56
	1,075	10	16½	—	—

TIN

KUALA LUMPUR TIN MARKET—Close: 16.45 (16.48) ringgit per kg. Down 0.03.

GOLD

GOLD BULLION (fine ounce)	July 9		
Close	$446¼-446¾	(£274¾-275¼)	
Opening	$446¾-446¼	(£274¾-275¼)	
M'n'g fix	$446.30	(274.631)	—
Aft'n'n fix	$444.10	£274.560	—
Day's high	$446-446½		—
Day's low	$443¼-443¾		—

GOLD AND PLATINUM COINS

Am Eagle	$457-462	(£282¼-285¼)
Mapleleaf	$457½-460½	(£282¾-284¼)
Kr'g'r'nd	$444-447	(£274¼-276¼)
½ Krug	$233½-234½	(£144¼-144¾)
¼ Krug	$117-118	(£72¼-72¾)
Angel	$464½-457½	(£280¼-282¼)
1/10 Angel	$44-49	(£27¼-30¼)
New Sov.	$104½-105½	(£64½-65¼)
Old Sov.	$104½-106	(£64½-65½)
Noble Plat.	$579-589	(£357¾-364)

INDICES

REUTERS

July 8	July 7	M'th ago	Year ago
1637.6	1637.3	—	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 8	July 7	M'th ago	Year ago
Spot	128.31	128.49	—	124.67
Fut	126.13	126.09	—	111.59

(Base: December 31 1974=100)

MAIN PRICE CHANGES

	July 8 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1790/720	−10	$1600/620
Copper			
Cash Grade A	£1033.5	−8.5	£951.5
3 months	£1021.5	−10.25	£929.5
Gold troy oz	$445	−1.5	$453.25
Lead Cash	£431	+6.5	£372
3 months	£411.75	+6.25	£353.25
Nickel			
Free Mkt	208/226c	−1	190/215c
Palladium oz	$139.75	+1.0	$139.00
Platinum oz	$564.75	+10.5	$576.00
Quicksilver†	$325/340		[illegible]
Silver troy oz	471.45p	+16.8	487.70p
3 months	482.10p	+15.5	477.60p
Tin			
free Mkt	£4070/100		£4000/125
Tungsten	$56.21		$58.16
Wolfram 22.04lb	$48/55		$48/55
Zinc	$532.5	+3.5	$551.5
3 months	$520.25		$527.25
producers	$860		$830
OILS			
Coconut (Phil)	$485z		$425
Palm Malayan	$327.5z		$340
Seeds			
Copra (Phil)	$340z		$285
Soyabean (U.S.)	$149z	−3	$164
GRAINS			
Barley Fut. Nov.	£98.75		£97.7
Maize	‡		£162
Wheat Fut. Sept	£99.15	−0.10	£100.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1323.5	+7.0	£1219.5
Coffee Ft. Sept	£1238.5	+15.0	£1305.5
Cotton A Ind.*	81.50c		79.4c
Gas Oil Aug.	$168.25	+5.50	$155.75
Rubber (kilo)	69.50p	+0.50	62.75p
Sugar (raw)	$172.00		$168.0
Wooltops 64s	477p kilo		487p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v July. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov. T Sept.

SILVER

Silver was fixed 16p an ounce higher for spot delivery in the London bullion market yesterday at 471.45p. US cent equivalents of the fixing levels were: Spot 763.2c, up 27.2c; three-month 776.35c, up 27.15c; six-month 790.1c, up 27.65c; and 12-month 819.45c, up 28.8c. The metal opened at 471½-473½p (765-768c) and closed at 472½-474½p (765-768c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	471.45p	+16.8	755c	+4.5
3 months	482.10p	+15.3	775c	+5.5
6 months	492.75p	+16.5	—	—
12 months	514.70p	+17.7	—	—

LME—Turnover: 2 (1) lots of 10,000 ounces.
Final Kerb close: 777-81c.

COFFEE

Another quiet day as Robustas consolidated just above contract lows, reports Drexel Burnham Lambert. Underlying industry support prevented further losses today and with light commission house buying prices rallied some £15 from previous close.

COFFEE	Yesterday close	+ or −	Business done
July	1198-1200	+14.5	1200-1183
Sept.	1238-1239	+15.0	1240-1220
Nov.	1263-1264	+21.0	1268-1245
Jan	1285-1290	+19.0	1287-1269
Mar.	1312-1315	+22.5	1310-1290
May	1325-1330	+19.0	1330-1310
July	1335-1350	+15.0	—

Sales: 2,935 (2,135) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for July 8: Comp. daily 1979 94.73 (94.28); 15-day average 97.14 (97.59).

COCOA

The futures market gained £5-£8 in relatively quiet conditions. Origins were sidelined, while manufacturers were content to price-fix in moderation arbitrage activity was evident during the afternoon session. July tenders have reached 5,236 lots with 17 lots retendered, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or −	Business done
July	1346-1350	+0.5	1354-1348
Sept.	1323-1324	+7.0	1332-1317
Dec.	1345-1346	+7.0	1352-1339
March	1366-1367	+8.5	1370-1358
May	1381-1385	+9.5	1387-1376
July	1403-1404	+8.0	1405-1394
Sept.	1417-1419	+7.5	1420-1410

Sales: 3,109 (3,488) lots of 10 tonnes.
ICCO indicator prices (SDRs per tonne). Daily price for — — —: 10-day average for ——————.

FREIGHT FUTURES

The market opened lower on some light selling but found buying strength on expectations that the BFI would be raised. The BFI came in at 923, up 3.5, which helped the market remain steady to close mixed on very quiet conditions, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo July 6			
July	895/896	900/880	887
Oct.	968	980/960	967
Jan.	965/966	980/965	972/975
Apr.	1000	1000/995	995
July	900	—	880/920
Oct.	960	—	960/980
Jan.	990	—	970/995
April	1050/1150	—	1050/1090
BFI.	923.5		919.5

Turnover: 173 (403).

GRAINS

Old crop wheat found lack of interest after dull delivered trade closing just above unchanged, while new crops after an early collapse following harvest selling pressure, firmed strongly reflecting genuine lack of trade selling, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
July	118.55	+0.05	—	—
Sep.	99.15	−0.10	96.65	—
Nov.	101.35	−0.15	98.75	—
Jan.	104.10	−0.15	101.70	—
Mar.	106.60	−0.15	104.05	—
May	109.25	−0.10	105.40	—
July	111.40	−0.10	—	—

Business done—Wheat: July 118.55 only, Sept 99.00-8.75, Nov 101.35-0.90, Jan 103.75 only, March 106.35-3.75, May 109.00 only. Sales: 119 lots of 100 tonnes. Barley: Sept 95.40 only, Nov 98.55-8.25, Jan 101.75-1.50, March 104.05-3.75, May 105.45 only. Sales: 143 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: July 95.25, Aug 93.50, Sept 93.00. US No 2 Soft Red Winter: July 87.25, Aug 86.00, Sept 89.50. French 11½-12 per cent: July 118.75, Aug 118.00. English feed, fob: Jan/March 106.25 paid East Coast, Sept 99.50-100.00 buyer/sellers, Oct/Dec 109.00 sellers. Maize: US No 3 Yellow / French, transhipment East Coast: July 160.50. Barley: English feed: Aug 96.50 paid East Coast, Sept 98.00-98.50 buyer/sellers, Oct/Dec 102.00 seller. Rest unquoted.

US MARKETS

THE SITUATION in the Gulf continued to underpin crude oil futures with trade, comsion house buying and short covering holding prices firm throughout the day, reports Drexel Burnham Lambert. In the gold and silver, early declines were reversed as trade support emerged at lower levels forcing locals to cover short positions. Platinum firmed on commission house and local buying, but fell back on long liquidation as the market failed to penetrate resistance before short-covering rallied prices back. In copper, fund buying in December and trade buying steadied the market as fundamentals reasserted themselves. In cocoa, continued concerns over West African crops prompted speculative and trade buying in the face of origin selling. Commission house selling depressed sugar, but trade support prompted a short-covering rally. Cotton fell on trade and commission house selling in advance of the forthcoming crop report, but recovered on short-covering. Commission house buying steadied orange juice futures. Trade and local buying in coffee touched off commission house stops, before profit-taking pared gains. Expectations of firmer cattle prices led to steady prices in forward contracts, while tight supplies led to a very strong feeder cattle market.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	73.25	73.00	73.25	73.25
August	73.00	73.00	—	—
Sept	72.20	72.50	72.75	72.75
Dec	71.50	71.80	—	—
Jan	70.80	71.80	—	—
Feb	—	—	—	—
March	69.50	71.80	69.50	69.50
April	—	—	—	—
May	68.50	71.80	—	—
July	69.50	71.80	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	20.15	19.78	—	—
Sept	20.47	20.19	20.55	20.23
Dec	20.53	20.26	20.61	20.31
March	20.69	20.47	20.70	20.52
May	20.90	20.64	20.90	20.77
July	21.08	20.74	21.05	20.94
Sept	21.33	20.98	21.25	21.16
Dec	21.59	21.25		

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	102.00	101.19	102.75	101.50
Sept	102.73	101.87	103.40	101.50
Dec	105.38	104.35	106.00	104.50
March	107.70	106.95	108.50	107.25
May	109.50	108.52	110.00	108.50
July	111.02	110.02	—	—
Sept	112.02	111.76	—	—
Dec	114.02	114.10	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
July	76.45	76.88	76.35	75.50
Oct	72.46	73.33	72.80	72.30
Dec	71.07	71.90	71.90	70.85
March	71.80	72.45	72.18	71.60
May	72.32	72.75	72.65	72.00
July	72.42	72.86	72.80	72.30
Oct	67.90	67.90	67.90	67.90

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	76.35	76.40	76.60	73.60
August	75.95	75.00	74.00	74.00
Sept	75.35	74.45	74.40	72.80
Dec	74.65	73.90	74.90	71.90
Jan	74.40	73.20	—	—
March	73.85	72.80	73.75	71.05
May	73.45	72.20	73.10	70.85
July	73.30	72.05	73.80	70.80
Sept	73.20	71.85	—	—
Dec	73.35	72.10	—	—
Jan	73.40	72.15	—	—
March	73.50	72.25	72.40	72.40
May	73.65	72.40	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	54.95	54.13	55.15	54.50
Sept	55.50	54.82	55.75	55.20
Oct	56.20	55.62	56.50	56.00
Nov	57.00	56.42	57.30	56.75
Dec	57.70	57.20	57.95	57.55
Jan	—	—	—	—
Feb	—	—	—	—
March	56.60	56.20	56.70	56.40

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	444.8	444.2	—	—
August	446.8	446.5	449.3	444.5
Sept	449.3	449.2	448.0	448.0
Oct	451.9	451.9	453.5	450.0
Dec	457.1	457.1	458.8	455.2
Feb	462.5	462.5	463.8	461.5
April	467.9	467.9	466.5	466.0
May	—	—	—	—
June	—	467.8	—	—
August	479.1	479.1	479.4	479.6
Sept	473.1	—	474.0	474.0
Oct	485.0	485.0	486.0	485.8
Dec	491.0	491.1	491.5	491.5
Feb	497.2	497.3	498.3	498.0

HGCA — Locational ex-farm spot prices: Feed Barley: W. Midlands 96.20. The UK monetary coefficient for the week beginning Monday July 13, will remain unchanged.

POTATOES

With the market having nervously retraced 50 per cent during recent shake-out, traders poised to return long in response to continued dry weather forecasts, reports Coley and Harper. April 88 opened 70p down at £142.00 but was immediately bid over, rapidly moving another £3-4.00 up in a scramble to buy. Stops were hit and this further fuelled interest with market testing recent highs of £153.00 by mid-afternoon. Although sellers were still in evidence here, and levels fell back to below £150.00, underlying tone steady.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	105.00	99.80	106.50-100.00
Feb.	115.00	109.50	
Apr.	150.00	142.70	153.00-142.00
May.	168.50	156.00	

Sales: 1,521 (1,480) lots of 40 tonnes.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.45-17.55*	+0.075
Brent Blend	19.65-19.70	+0.225
W.T.I. (1pm est)	21.15-21.25*	+0.4
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	192-195	—
Gas Oil	165-167	+14
Heavy fuel Oil	110-111	+1.5
Naphtha	172-174	+1

* August.
Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or −	Business done
August	128.0-131.0	−0.55	—
October	125.0-126.5	−0.55	127.5
Dec	127.7-128.9	−1.05	127.8-127.5
Feb	129.5-131.0	−1.35	—
April	130.0-131.8	−2.25	—
June	127.5-129.5	−2.45	—
August	127.0-129.0	−2.00	—

Sales: 203 (60) lots of 20 tonnes.

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
August	21.21	20.90	21.29	20.90
Sept	20.70	20.49	20.74	20.55
Oct	20.46	20.32	20.52	20.35
Nov	20.38	20.24	20.42	20.32
Dec	20.36	20.20	20.40	20.25
Jan	20.31	20.16	20.31	20.24
Feb	20.27	20.13	20.32	20.22
March	20.28	20.11	20.30	20.26
April	20.30	20.10	20.30	20.22

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	131.90	132.40	132.50	132.00
Sept	127.25	127.75	127.80	127.25
Nov	123.90	123.90	123.95	123.50
Jan	122.15	122.30	122.20	122.00
March	122.05	122.50	122.40	122.05
May	122.35	122.90	122.50	122.50

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	584.5	587.1	587.0	582.5
Aug	—	581.6	—	—
Oct	569.5	572.4	576.5	567.0
Jan	576.5	579.5	580.5	575.0
April	583.5	586.4	587.0	584.5
July	590.5	593.4	595.0	590.0
Oct	597.5	600.4	600.0	600.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	762.0	764.1	769.0	759.0
Aug	770.5	767.2	—	—
Sept	776.0	772.5	780.0	769.0
Dec	790.5	786.9	794.0	779.0
Jan	795.3	791.6	792.5	792.5
March	805.4	801.8	808.0	796.0
May	816.1	812.0	815.0	810.0
July	826.9	822.6	—	—
Sept	837.7	833.2	—	—
Jan	860.2	855.5	—	—
May	883.8	878.9	—	—

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	Prev	High	Low
Sept	6.95	6.90	6.95	6.90
Oct	7.03	6.94	7.04	6.96
Jan	7.25	7.12	—	—
March	7.53	7.41	7.54	7.38
May	7.70	7.57	7.70	7.57
July	7.81	7.71	7.86	7.70
Oct	8.03	7.90	8.03	7.87

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	Prev	High	Low
Aug	63.65	63.70	64.15	63.45
Oct	62.65	62.25	63.07	62.22
Dec	64.40	63.77	64.55	63.75
Feb	64.85	64.42	65.10	64.45
April	65.45	65.10	65.52	65.00
June	64.75	64.42	64.90	64.40
Aug	63.85	63.70	64.00	63.85

LIVE HOGS 30,000 lbs, cents/lb

	Close	Prev	High	Low
July	61.45	61.90	62.00	61.15
Aug	56.35	56.55	56.87	56.02
Oct	47.40	47.75	47.85	47.15
Dec	47.10	47.45	47.50	46.80
Feb	45.27	45.45	45.55	45.22
April	42.45	42.37	42.45	42.12
June	43.35	43.67	43.60	43.35
July	43.65	43.90	43.75	43.55
Aug	41.85	41.85	41.85	41.60

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
July	82.00	80.95	82.05	80.25
Aug	78.67	77.75	78.75	77.15
Feb	61.75	62.30	62.40	61.50
March	61.25	62.00	61.95	61.15
May	61.80	61.80	61.80	61.50

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
July	165.0	168.4	169.0	164.0
Sept	172.0	173.4	174.8	170.2
Dec	179.4	178.2	180.2	177.4
March	188.4	187.2	189.0	186.6
May	193.4	192.4	193.4	191.6
July	195.0	194.4	196.2	193.6
Sept	193.4	191.0	193.4	191.0

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	546.0	536.4	549.4	542.0
Aug	538.0	535.0	540.0	536.4
Sept	533.0	528.2	533.4	530.0
Nov	536.0	529.4	537.0	530.4
Jan	543.5	536.2	544.0	539.4
March	553.0	545.0	553.0	549.4
May	560.0	553.0	558.4	556.4
July	560.0	555.4	561.0	558.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	168.4	165.5	169.5	166.5
Aug	168.2	164.6	165.9	164.5
Sept	163.2	161.3	163.4	161.8
Oct	161.2	159.3	161.5	159.5
Dec	162.4	160.2	162.7	160.3
Jan	163.5	161.0	163.5	161.5
March	165.5	163.7	166.0	163.0
May	166.0	164.0	166.0	166.0
July	166.5	164.0	165.0	166.0
Aug	166.0	164.5	166.0	166.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Prev	High	Low
July	16.39	16.52	16.70	16.35
Aug	16.63	16.68	16.85	16.51
Sept	16.73	16.85	17.00	16.70
Oct	16.85	17.00	17.12	16.85
Dec	17.16	17.30	17.42	17.15
Jan	17.31	17.43	17.60	17.31
March	17.67	17.75	17.95	17.62
May	17.88	18.02	18.02	17.98
July	18.05	18.20	18.30	18.05

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	262.6	260.4	264.4	261.4
Sept	270.0	269.4	271.0	269.4
Dec	275.6	278.4	280.4	278.4
March	283.0	282.2	283.0	281.4
May	277.0	276.6	277.0	276.0
July	265.0	265.2	266.0	265.0

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 768.00 (755.00) cents per troy ounce. New York tin 304.00-310.00 (305.00-310.00) cents per pound.

SUGAR

LONDON DAILY PRICE—Raw sugar $172.00 (£106.40), same (down £0.20) a tonne for July/August delivery. White sugar $182.80, up $0.60.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	165.0	162.8-165.4	163.0-159.8
Oct	156.6-157.0	155.4-156.8	158.8-154.4
Dec	159.0-160.2	162.4-165.4	158.8-158.8
Mar	167.5-168.0	165.8-166.8	167.4-166.0
May	170.6	168.4-169.8	—
Aug	172.5-175.4	174.0-176.4	—
Oct	177.8-180.0	174.8-176.4	178.8

Sales: 1,688 (1,254) lots of 50 tonnes.
Tate and Lyle delivery price for granulated basis sugar was £211.00 (same) a tonne for export.
International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 9: Daily price 6.47 (6.51); 15-day average 6.48 (6.50).
PARIS—Aug 1113-1115, Oct 1141-1143, Dec 1174-1178, March 1220-1225, May 1250-1260, Aug 1285-1300.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or −	Business done
Aug	166.50	+3.50	167.25-164.0
Sept	166.25	+3.50	168.25-166.7
Oct	170.50	+3.00	170.50-168.2
Nov	172.50	+3.00	172.50-170.2

Turnover: 5,532 (3,209) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened slightly easier, traded erratically throughout the day, closing uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 69.50p (——). Aug 68.50p (——). Sept 69.25p (——). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 was 259 (——): and for SMR 20 222.5

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 98.78p per kg lw (+0.73): GB—Sheep 218.80p per kg est dcw (+44.28): GB—Pigs 73.98p per kg lw (+0.45).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls in quiet trade

THE DOLLAR was confined to narrow trading yesterday, as dealers weighed the short term potential of the currency.

Trading was quiet and uneventful, after an early fall in Europe as the dollar came into line with the move in Tokyo, where the US currency had fallen back below Y150.

There was an attempt at a rally after Mr Clayton Yeutter, US Trade Representative, suggested the US is competitive with the dollar around its present level against the yen, but this soon petered out.

Opinions in Tokyo and Frankfurt appeared to differ with regard to the dollar's prospects. Japanese traders suggested the dollar could move up to attack Y152, while Frankfurt looked to technical support points on the down side, and a sharp decline if the dollar falls below DM 1.8275.

Next Wednesday's US trade figures for May are likely to be the deciding factor, with forecasters divided on whether there will be an *improvement on May's deficit* of $13.3bn.

According to a survey by Money Market Services the June *deficit* is expected to be little changed at $13.2bn. MMS's own forecast is for $14.4bn, with Citibank economists looking for $13.8bn. Morgan Grenfell in London has forecast a deficit of $12.7bn.

The dollar fell to DM1.8380 from DM1.8415; to FFr6.1275 from FFr6.1350; and to Y149.90 from Y150.55, but rose slightly to SFr1.5340 from SFr1.5335.

On Bank of England figures the dollar's index was unchanged at 103.0.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index was unchanged at 73.0, compared with 68.8 six months ago.

Sterling was steady against the dollar and drifted lower against most other major currencies. There was disappointment that higher oil prices had not moved the pound up to DM3.00. Dealers suggested the pound's failure to consolidate above DM2.98 was not the result of central bank intervention, and therefore led to a natural decline.

Today's UK retail prices index for June is expected to show a pick up in the rate of inflation to about 4.4 per cent from 4.1 per cent.

Sterling closed unchanged at $1.6175-1.6185, and at SFr2.4825. It fell to DM2.9750 from DM2.9800; to FFr9.9150 from FFr9.9275; and to Y242.50 from Y243.50.

D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7690. June average 1.8186. Exchange rate index 146.9 against 145.9 six months ago.

The D-Mark was little changed against the dollar in directionless Frankfurt trading. The dollar eased to DM1.8390 from DM 1.8395. At the Frankfurt fixing the Bundesbank did not intervene when the dollar fell to DM 1.8351 from DM 1.8454.

West German central bank money stock grew at 8.1 per cent in June, compared with 7.9 per cent in May, and well outside the Bundesbank's target of 3 to 6 per cent.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 213.7 against 207.5 six months ago.

The yen rose against the dollar in Tokyo, in a technical correction after the US currency's recent surge. Sentiment surrounding the dollar appeared to remain favourable, but the recent upward move had left the currency overbought, and there was also a reaction to *rumours of intervention* on Wednesday by the Bundesbank.

The dollar fell to Y149.40 at the Tokyo close, from Y150.25 on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0430	+1.38	+0.91	±1.5344
Danish Krone	7.85212	7.87798	+0.33	−0.14	±1.6404
German D-Mark	2.05853	2.07505	+0.80	+0.33	±1.0981
French Franc	6.90403	6.91946	+0.22	−0.25	±1.3674
Dutch Guilder	2.31943	2.33642	+0.73	+0.26	±1.5012
Irish Punt	0.768411	0.774392	+0.78	+0.31	±1.6684
Italian Lira	1483.58	1503.66	+1.35	+1.28	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 9	Latest	Previous Close
£ Spot	1.6180-1.6190	1.6185-1.6190
1 month	0.34-0.32 pm	0.32-0.30 pm
3 months	0.90-0.86 pm	0.89-0.86 pm
12 months	2.85-2.75 pm	2.80-2.70 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

POUND SPOT—FORWARD AGAINST THE POUND

July 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6160-1.6220	1.6175-1.6185	0.31-0.28c pm	2.19	0.87-0.82 pm	2.09
Canada	2.1385-2.1500	2.1405-2.1415	0.11-0.01c pm	0.34	0.27-0.15 pm	0.39
Netherlands	3.34½-3.35½	3.34½-3.35½	1¼-1c pm	4.03	3¼-3 pm	3.82
Belgium	61.50-61.80	61.50-61.60	18-11c pm	2.83	46-35 pm	2.63
Denmark	11.26¼-11.31¼	11.28-11.29	¼-⅞ ore dis	−0.60	2⅞-3¼ dis	−1.11
Ireland	1.1075-1.1120	1.1085-1.1095	0.02-0.11p dis	−0.70	0.07-0.31 dis	−0.69

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

CURRENCY RATES

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

OTHER CURRENCIES

FINANCIAL FUTURES

Gilts stay in narrow range

Gilt prices were confined to a narrow range on the London International Financial Futures Exchange yesterday in quiet, lacklustre trading. The September price moved within a 12 tick range during the day and most business was seen in a three tick range of 123-17-123-20.

Values were marked down in the afternoon as sterling started to drift a little but a recovery by the pound brought prices back to finish above the day's low. The long gilt for September delivery opened at 123-23 and traded between a high of 123-27, touched soon after the opening and a low of 123-12 in the afternoon, before closing at 123-19 compared with 123-24 on Wednesday.

There was little else to affect trading although some traders were hopeful that today's release of UK retail prices would provide some stimulation.

US Treasury bonds faired little better in volume terms and most investors were resigned to a bout of inactivity before the release of US trade figures next Wednesday. Any deterioration from the previous month's deficit of $13.3bn would probably create further downward pressure on the dollar.

The September bond price opened in London at 91-28 down from 92-03 on Wednesday, on reports of dollar sales in the Far East. During the afternoon it came close to an important chart support level of 91-20 but recovered after comments by Mr Clayton Yeutter, US trade representative that US industry was competitive with the dollar/yen rate at its current level. After this the price recovered to finish at 91-29, still slightly down from Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	5.47	6.27	0.09	0.63
120	4.00	4.63	0.26	1.35
122	2.31	3.48	0.57	2.20
124	1.24	2.47	1.50	3.19
126	0.43	1.60	3.05	4.32
128	0.20	1.20	4.46	5.56
130	0.08	0.58	6.34	7.30
132	0.02	0.38	8.28	9.10

Estimated volume total, Calls 2,161 Puts 740
Previous day's open int: Calls 26,908 Puts 16,556

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	7.60	7.30	0.02	0.32
86	6.02	5.55	0.08	0.57
88	4.17	4.28	0.23	1.30
90	2.48	3.15	0.54	2.17
92	1.28	2.08	1.34	3.10
94	0.38	1.25	2.44	4.27
96	0.14	0.56	4.20	5.58
98	0.04	0.33	6.10	7.35

Estimated volume total, Calls 10 Puts 2
Previous day's open int: Calls 1,572 Puts 603

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls -Last July	Calls -Last Aug.	Puts-Last July	Puts-Last Aug.
23250	7.96	10.04	0.66	2.74
23500	6.01	8.41	1.21	3.61
23750	4.32	6.94	2.02	4.64
24000	2.95	5.65	3.15	5.85
24250	1.90	4.53	4.60	7.23
24500	1.15	3.57	6.35	8.77
24750	0.66	2.78	8.36	10.48
25000	0.35	2.12	10.55	12.32

Estimated volume total, Calls 7 Puts 5
Previous day's open int: Calls 110 Puts 110

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6661	0.6596	0.6561	0.6567
Dec.	0.6622	0.6715	0.6620	0.6629
Mar.	0.6695	0.6715	—	0.6690
June.	—	0.6790	—	0.6750

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	310.10	310.45	309.55	308.80
Dec.	—	312.80	312.00	311.20
Mar.	—	314.80	314.30	313.20
June	316.60	—	316.60	315.40

CURRENCY FUTURES

MONEY MARKETS

London rates show little change

ATTENTION FOCUSED on short term interest rates in the London money market yesterday. The Bank of England's forecast of a £700m shortage was viewed with disappointment as a relatively comfortable day had been expected. Once again discount houses were able to find relatively cheap funds as it became known that sufficient paper would be offered to the authorities to meet the shortage. The more comfortable conditions expected, failed to materialise as the hold up in processing VAT refunds continued.

UK clearing bank base lending rate 9 per cent since May 8

Nevertheless houses were able to pick up secured call money down to 8½ per cent during the morning and later balances were taken as low as 3 per cent. Overnight interbank money started at 9-8¾ per cent and touched 9½-8⅞ per cent before slipping away to 3 per cent. Much of the afternoon business was seen at nearer 6 per cent.

Elsewhere trading was rather quiet with seasonal staff losses adding to the subdued mood. There was little inspiration derived from sterling's steady performance and period rates were barely changed from Wednesday. Three-month interbank money was the same at 9$\frac{3}{16}$-9$\frac{1}{16}$ per cent.

The Bank of England forecast a shortage of around £700m with factors affecting the market including the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £651m and a rise in the note circulation of £40m. In addition banks brought forward balances £155m below target. These were partly offset by Exchequer transactions which added £145m.

The Bank gave assistance in the morning of £616m through outright purchases of £4m of eligible bank bills in band 1 and £370m in band 2 all at 8⅞ per cent. In band 3 it bought £4m of local authority bills and £238m of eligible bank bills again at 8⅞ per cent.

The forecast was revised to a shortage of around £800m before taking into account the earlier help and the Bank gave additional assistance in the afternoon of £175m through outright purchases of £50m of Treasury bills and £125m of eligible bank bills, all in band 3 at 8⅞ per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 8, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.

24-hours a day trading capability.

Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.12632 SDR1=$US1.27049
As of July 8, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7	7⅛
Sibor:	7	7⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6172	Papua New Guinea	Kina	0.9128
Albania	Lek	6.2454	Greece	Drachma	138.90	Paraguay	Guarani (o)	320.00
Algeria	Dinar	4.67	Greenland	Danish Krone	6.9875		Guarani (p)	550.00
Andorra	French Franc	6.1385	Grenada	E. Caribbean $	2.70		Guarani (d)	795.00
	Spanish Peseta	127.04	Guadaloupe	Franc	6.1385	Peru	Inti (o) (a)	15.88
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	32.25
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00		Inti (I)	19.88
Argentina	Austral	1.825		Quetzal (b, I)	2.71	Philippines	Peso	20.45
Aruba	Florin	1.79	Guinea Bissau	Peso (1)	650.00	Pitcairn Islands	N.Z. Dollar	1.6827

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 9 1987					WEDNESDAY JULY 8 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (96)	142.79	+1.4	130.84	133.63	2.93	140.80	129.01	132.46	142.79	99.92	75.41
Austria (16)	86.26	+0.0	79.04	82.34	2.50	86.24	79.02	82.37	101.62	85.53	86.86
Belgium (48)	126.49	+0.2	115.91	119.32	4.01	126.30	115.73	119.14	126.49	96.19	81.55
Canada (132)	136.18	-0.2	124.79	130.46	2.16	136.49	125.06	130.90	136.49	100.00	97.40
Denmark (39)	115.21	-0.5	105.56	109.29	2.54	115.74	106.05	109.72	124.10	98.18	94.33
France (121)	109.63	-1.0	100.46	105.37	2.68	110.75	101.48	106.58	121.82	98.39	87.30
West Germany (92)	96.21	-0.6	88.16	91.94	2.05	96.78	88.68	92.66	100.33	84.00	81.87
Hong Kong (45)	128.10	-0.6	117.38	128.39	2.81	128.88	118.10	129.21	128.88	96.89	69.61
Ireland (14)	137.80	+1.8	126.26	133.13	3.36	135.36	124.03	131.08	137.80	99.50	92.82
Italy (76)	94.91	+0.0	86.96	94.34	1.92	94.93	86.99	94.36	112.11	94.25	85.79
Japan (458)	132.92	+1.7	121.80	125.95	0.54	130.74	119.80	124.42	161.28	100.00	83.39
Malaysia (36)	179.23	+1.4	164.23	175.13	2.14	176.68	161.89	172.75	179.23	98.24	79.81
Mexico (14)	274.54	-0.1	251.56	410.33	0.73	274.94	251.93	410.33	274.94	99.72	49.94
Netherland (38)	126.03	+0.2	115.48	119.07	3.70	125.84	115.30	119.12	126.69	99.65	90.62
New Zealand (26)	102.05	+1.8	93.51	90.23	3.12	100.22	91.83	89.48	102.05	83.93	70.62
Norway (24)	148.16	+3.6	135.76	135.09	2.02	143.03	131.05	130.36	148.16	100.00	97.66
Singapore (27)	154.93	+0.9	141.96	151.43	1.62	153.53	140.68	150.38	154.93	99.29	75.98
South Africa (61)	169.95	+2.7	155.73	122.84	3.35	165.48	151.63	119.60	186.74	100.00	75.93
Spain (43)	126.09	+1.1	115.53	121.07	3.30	124.66	114.23	119.85	126.09	100.00	83.37
Sweden (33)	117.63	+0.5	107.79	111.58	2.08	117.00	107.21	110.90	124.68	90.85	91.41
Switzerland (53)	98.12	+0.3	89.91	93.32	1.82	97.87	89.68	93.04	104.06	92.01	84.42
United Kingdom (336)	156.47	+0.6	143.37	143.37	3.04	155.47	142.45	142.45	156.47	99.65	100.08
USA (591)	125.57	-0.2	115.06	125.57	2.88	125.82	115.29	125.82	126.68	100.00	101.69
Europe (933)	124.93	+0.2	114.47	117.43	2.77	124.67	114.23	117.25	124.93	99.78	90.77
Pacific Basin (688)	133.08	+1.6	121.95	126.20	0.71	130.99	120.02	124.75	158.77	100.00	82.64
Euro-Pacific (1621)	129.87	+1.1	119.00	122.69	1.50	128.51	117.75	121.75	143.65	100.00	85.85
North America (723)	126.14	-0.2	115.59	125.87	2.84	126.39	115.81	126.13	126.70	100.00	101.46
Europe Ex. UK (597)	105.34	-0.2	96.53	101.17	2.52	105.54	96.71	101.46	107.75	98.02	85.16
Pacific Ex. Japan (230)	135.11	+0.8	123.81	129.10	2.81	134.08	122.86	128.59	135.11	99.92	73.16
World Ex. US (1828)	130.62	+1.0	119.69	123.16	1.55	129.29	118.47	122.24	143.38	100.00	86.12
World Ex. UK (2083)	125.90	+0.6	115.36	122.26	1.94	125.21	114.73	121.82	133.61	100.00	91.48
World Ex. So. Af. (2358)	128.35	+0.5	117.61	124.19	2.04	127.66	116.97	123.73	135.02	100.00	92.31
World Ex. Japan (1961)	126.59	+0.0	116.00	123.35	2.82	126.58	115.98	123.38	126.59	100.00	96.43
The World Index (2419)	128.62	+0.6	117.85	124.21	2.06	127.90	117.20	123.73	135.15	100.00	92.21

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$440	14	16.50	20	29.90	—	—	$444.90
GOLD C	$460	33	7.50	1	19.90A	14	31	"
GOLD C	$480	30	3.80A	144	13	—	—	"
GOLD C	$520	—	—	102	5.10	—	—	"
GOLD P	$400	—	—	125	3.50	—	—	"
GOLD P	$420	3	2	27	7.50	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$600	—	—	—	—	6	240	$762
SILVER C	$700	—	—	50	130	4	170	"
SILVER C	$800	—	—	6	85A	—	—	"
SILVER C	$1000	200	12	—	—	—	—	"
SILVER P	$700	—	—	7	40	8	—	"
		Jul 87		Aug 87		Sep 87		
$/FL C	Fl.200	—	—	1	6.70	119	7	Fl.207
$/FL C	Fl.205	50	2.20B	105	3	31	4.30	"
$/FL C	Fl.210	4	0.10	10	0.80	19	2	"
$/FL P	Fl.200	—	—	—	—	5	1.50	"
$/FL P	Fl.205	5	0.60	193	2.20	2	2.90	"
$/FL P	Fl.210	50	3.70	—	—	—	—	"
		Dec 87		Mar 88		June 88		
$/FL C	Fl.200	—	—	18	9.20	10	9.50B	Fl.207
$/FL C	Fl.205	20	5.90	3	6.80A	—	—	"
$/FL C	Fl.230	10	0.50	—	—	—	—	"
$/FL P	Fl.190	—	—	20	2.10	—	—	"
$/FL P	Fl.195	—	—	—	—	10	5.10	"
$/FL P	Fl.200	6	3.70	—	—	—	—	"
$/FL P	Fl.205	—	—	1	7.50	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.480	131	2.50	15	16	20	25	Fl.478.50
AEGON C	Fl.100	56	0.40	252	3	144	4.80	Fl.95.10
AEGON P	Fl.95	65	0.90	53	3.80	—	—	"
AHOLD C	Fl.110	2	0.10	7	2.50	34	4	Fl.103.90
AHOLD P	Fl.100	—	—	29	3.20	—	—	"
AKZO C	Fl.160	2085	5.60	1643	12.60	196	15.70	Fl.165.10
AKZO P	Fl.160	300	0.90	570	5.20	74	7.30	"
AMEV C	Fl.65	39	0.40	98	3.30	2	5	Fl.62.90
AMEV P	Fl.60	111	0.70	23	1.80A	3	3.20	"
AMRO C	Fl.85	10	0.10	116	1.20	299	2.30	Fl.76.30
AMRO P	Fl.80	39	4.20	93	6.20	10	6.90	"
ELSVIER C	Fl.60	—	—	1536	3	187	4.60	Fl.58
ELSVIER P	Fl.56	293	0.70A	27	3.50	—	—	"
GIST-BROC. C	Fl.45	168	1.60	121	4	16	5	Fl.46.40
GIST-BROC. P	Fl.45	114	0.30	260	2.20A	7	3	"
HEINEKEN C	Fl.180	86	1.80	42	8.20B	9	11	Fl.180.50
HEINEKEN P	Fl.180	17	1.80	27	6.30	—	—	"
HOOGOVENS C	Fl.45	252	1.90	137	5	40	6.20	Fl.46.40
HOOGOVENS P	Fl.45	41	0.50	102	3	38	3.60	"
KLM C	Fl.50	479	2.60	405	3.80	33	5.70	Fl.52.60
KLM P	Fl.50	100	0.20	107	2.10	1	2.80	"
NEDLLOYD C	Fl.130	2	7	92	10.20	—	—	Fl.134.50
NAT.NED. C	Fl.75	144	0.40	226	3.40	2	5.50	Fl.73.90
NAT.NED. P	Fl.70	5	0.50	87	2.20	159	3.50	"
PHILIPS C	Fl.55	740	0.20	1111	2.30	359	3.40	Fl.52
PHILIPS P	Fl.55	201	3	275	4.30	35	5.30B	"
ROYAL DUTCH C	Fl.280	606	9.40	956	15.20	24	19	Fl.288.80
ROYAL DUTCH P	Fl.280	130	1	249	7.20	18	9.20B	"
ROBECO C	Fl.105	20	2.40	12	3.50	5	6.20	Fl.106.70
UNILEVER C	Fl.136	714	1.70	191	7.20	4	10.30	Fl.137
UNILEVER P	Fl.132	25	0.20	85	2.90	—	—	"

TOTAL VOLUME IN CONTRACTS: 49,667

A=Ask B=Bid C=Call P=Put

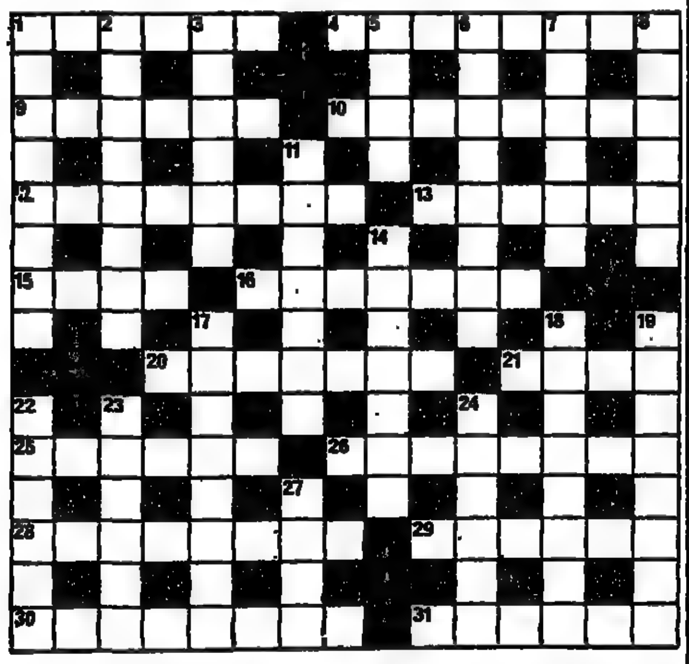
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Int'l (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No 6,374

VIXEN



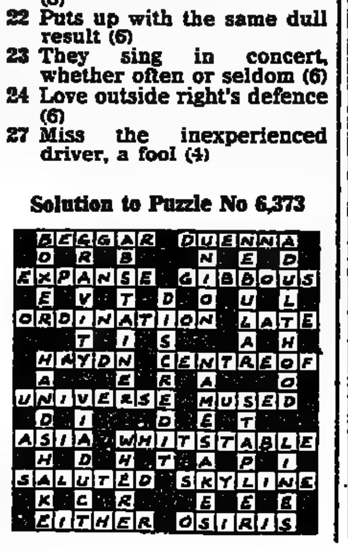
ACROSS

1 Support will be given for forest development (6)
4 Gas that's inspired a representative (8)
9 This fruit painter is popular (6)
10 Undertaking to study a certain area (8)
12 Having a pipe in bed—getting carried away (8)
13 Rogue pressman and egghead responsible for hold up (6)
15 Proper contact (4)
16 Stiff note about a church official (7)
20 Favour acquiring a ship's instrument (7)
21 Not all but most unhappily cause shock (4)
25 To do one's best without a tip is now in vogue (6)
26 Access may be used for transport (8)
28 Liberal in favour of work in the garden before nearly everything (8)
29 The residence with silver in it occasions much admiration (6)
30 Show record drop (8)
31 Direct loan-making (6)

DOWN

1 The listener in trains and prepares in advance (8)
2 Cheats twist in less-well-ordered situation (8)
3 Display evidence heartlessly (6)
5 Smooth and very strong (4)
6 Judge times tea break (8)
7 Disgraced when drawn into a plot (6)
8 A writer of stories for children must be a craftsman (6)
11 Check about 5 down (7)
14 One copper involved in pile-up? That's appropriate! (7)
17 Getting somebody to exercise an animal (8)
18 Definitive colours (8)
19 The new tree isn't a curiosity (8)
22 Puts up with the same dull result (6)
23 They sing in concert, whether often or seldom (6)
24 Love outside right's defence (6)
27 Miss the inexperienced driver, a fool (4)

Solution to Puzzle No 6,373



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	110.3	116.7	+0.2	0.71
(Accum Units)	114.5	122.2	+0.1	0.71
British Blue Chip Fund	53.7	56.8	—	2.34
(Accum Units)	53.7	56.8	—	2.34
American Sml Cos Fd	52.3	55.3	—	0.45
(Accum Units)	52.3	55.3	—	0.45
American Income	51.5	54.4	+0.0	3.63
(Accum Units)	56.2	59.4	+0.0	3.63
European Growth	146.4	154.9	+1.1	1.24
(Accum Units)	151.5	160.3	+1.1	1.24
European Income	80.7	85.3xd	+0.4	3.82
(Accum Units)	84.5	89.4xd	+0.4	3.82
General	389.0	411.4	+1.2	2.43
(Accum Units)	646.1	683.7	+1.9	2.43
Gilt	89.0	89.4xd	+0.2	7.47
(Accum Units)	105.9	106.4xd	+0.2	7.47
Global Fund	49.5	52.3	—	0.70
(Accum Units)	49.5	52.3	—	0.70
High Interest Fund	47.6	50.3	—	8.95
(Accum Units)	48.0	50.7	—	8.95
High Income Fund	54.4	57.5	—	4.55
(Accum Units)	54.9	58.0	—	4.55
Income	126.1	133.4xd	+0.6	2.86
(Accum Units)	144.5	152.9xd	+0.7	2.86
International	293.5	310.5xd	+3.1	1.17
(Accum Units)	367.2	388.5xd	+3.8	1.17
Japan	192.0	208.4	+3.5	0.75
(Accum Units)	202.2	213.9	+3.4	0.75
Pacific Fd	202.2	213.9	+3.4	0.75
(Accum Units)	55.0	58.1	—	0.10
Recovery	319.3	337.8	-0.1	1.51
(Accum Units)	347.3	367.3	-0.2	1.51
UK Smaller Co's Fd	54.7	57.8	—	1.92
(Accum Units)	54.7	57.8	—	1.92
Exempt. May 27	367.2	376.6	+22.9	3.03
(Accum Units)	575.2	589.9	+33.5	3.03

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	62.8	66.8	+0.3	4.49
Accum Units	62.8	66.8	+0.3	4.49
UK Growth Fund Acc	64.7	68.8	+0.4	1.45
Global Income Fund	49.4	52.5	+0.1	3.81
Accum Units	49.4	52.5	+0.1	3.81
Global Growth Fund	46.0	49.0	+0.5	0.51

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Linkline 0800 010265

Holborn Comm Tst	79.9	84.5	-0.3	0.36
Holborn Equity Income	74.2	78.5	+0.2	3.28
Holborn Equity Tst	608.9	644.3	+1.8	2.10
Holborn European Tst	117.6	124.4xd	+1.3	0.67
Holborn Gilt Tst	216.0	225.2	+0.1	2.11
Holborn High Inc Tst	89.3	94.4xd	+0.3	4.57
Holborn Intl Grth Tst	118.9	125.8xd	+1.0	0.69
Holborn Japanese Tst	123.7	130.8	+1.8	0.04
Holborn N. Amer. Tst	93.4	98.8	+0.9	0.49
Holborn Sm Cos Tst	80.9	85.6	+0.3	1.96
Holborn Spec Sits Tst	104.3	110.9xd	+0.2	1.32
Holborn UK Growth Tst	120.9	127.9	+0.2	1.46

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	676.4	715.8	—	1.97
Quadrant Income	333.6	353.3xd	—	4.07
Quadrant Intl. Fund	447.5	473.6	—	1.05
Quadrant Spec. Sits	452.0	478.4	—	1.37

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	248.9	264.7	+0.4	2.17
Reliance Unit Tst (Inc)	171.2	182.0	+0.8	1.78
Reliance Ut Tst (Acc)	230.4	245.0	+1.1	1.78

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.5	52.1	+0.3	1.4

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	325.1	345.8	—	0.79
NC America (Acc)	355.0	377.6	—	0.79
NC Inc Fd.	150.1	158.3	-0.1	2.72
NC Japan Fd.	189.2	201.2	+0.8	—
NC Major UK Cos Fd.	74.0	78.7xd	-0.1	1.52
NC Smlr Australasian	89.7	95.4	+1.0	0.48
NC Smlr-Canadian Co Fd	48.7	51.8	—	0.98
NC Smaller Cos	244.4	259.9	+1.1	0.88
NC Smaller European	194.3	206.7	+1.4	0.46
NC Prop.*	157.2	171.8	—	(z)

*Unauthorised Unit Trusts

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

St George's Way, Stevenage 0438 356101

Managed	446.8	470.3	.....	—
Property	280.2	294.9	.....	—
Equity	578.2	608.6	.....	—
Gilt Edged	364.4	383.6	.....	—
Deposit	204.1	214.8	.....	—
Investment	247.7	260.1	.....	—
International	423.5	445.8	.....	—
Pension Fund Prices				
Managed Init.		332.6	.....	—
Do. Accum.		406.8	.....	—
Property Init.		242.8	.....	—
Do. Accum.		296.9	.....	—
Equity Init.		447.1	.....	—
Do. Accum.		546.0	.....	—
Gilt-Edged Init.		235.5	.....	—
Do. Accum.		288.0	.....	—
Guaranteed Init.		157.7	.....	—
Do. Accum.		193.0	.....	—
International Init.		500.8	.....	—
Do. Accum.		615.9	.....	—
Index Lk. Gilt Init.		136.7	.....	—
Do. Accum.		167.1	.....	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	301.3	+0.0	—
Property Pens.	397.6	+0.1	—
Equity	207.0	-0.6	—
Equity Pens.	938.9	-4.9	—
Money Market	314.7	+2.9	—
Money Mkt. Pens.	544.0	+1.7	—
Deposit	236.4	+0.0	—
Deposit Pens.	376.0	+0.1	—
Managed	300.7	+0.2	—
Managed Pens.	980.4	+0.3	—
Intl. Equity	346.1	+0.8	—
Do. Pens.	556.8	+1.5	—
Intl. Managed	319.9	+0.1	—
Do. Pens.	473.7	+0.3	—
North American	131.8	+0.6	—
Do. Pens.	151.0	+1.0	—
Far East	281.8	-2.3	—
Do. Pens.	410.7	-3.4	—
Intnl. Currency	175.6	+0.0	—
Do. Pens.	230.1	+0.1	—

National Provident Inst.—Contd.

Far East Initial	467.1	491.7	+7.3	—
Far East	558.0	587.4	+8.7	—
Prop. Initial	139.6	147.0	.....	—
Prop.	167.0	175.8	+0.1	—
Fixed Int. Initial	190.5	200.6	+0.2	—
Fixed Int.	227.7	239.7	+0.3	—
Indexed Gilt Initial	104.4	109.9	+0.8	—
Indexed Gilt	123.5	130.1	+1.1	—
Deposit Initial	134.4	141.5	.....	—
Deposit	162.2	170.8	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	952.2	969.2	.....	—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds				
Managed Fund	57.9	61.0	.....	—
Stock Market Mngd Fund	59.3	62.5	.....	—
Equity Fund	66.2	69.7	.....	—
International Fund	53.4	56.6	.....	—
European Fund	56.9	59.9	.....	—
North American Fund	50.2	52.9	.....	—
Pacific Fund	60.7	63.9	.....	—
Property Fund	50.7	53.4	.....	—
Fixed Interest Funds	50.6	53.3	.....	—
Index Linked Sec Fund	45.8	48.3	.....	—
Deposit Fund	50.8	53.5	.....	—
NUAM Retirement Plans				
Mixed Fund	62.0	65.3	.....	—
UK Ordinary Share	75.7	79.7	.....	—
International Fund	55.1	58.0	.....	—
Property Fund	51.6	54.4	.....	—
Fixed Interest Fund	52.3	55.1	+0.1	—
Index Linked Sec Fund	46.1	48.6	+0.2	—
Deposit Fund	52.6	55.4	.....	—
NUAM (MF)				
Managed Fund	792.5	834.3	.....	—
Equity Fund	1765.7	1858.7	.....	—
Property Fund	315.2	331.8	.....	—
Fixed Interest Fund	372.9	392.6	.....	—
Deposit Fund	207.1	218.0	.....	—
International Fund	138.7	146.3	.....	—
Index Linked Sec Fund	45.9	48.4	.....	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

1987 High	Low	Stock	(b)	Price £	+ or −	Yield (1)	(2)
131	125	Treas. 2pc '88	(297.1)	131	+	—	2.59
117	108	Do. 2pc '90	(353.9)	116 xd	......	1.02	2.32
99	93	Do. 2pc '92‡‡	(385.8)	97	+	2.20	2.89
128	119	Do. 2pc '96	(267.9)	125	+	3.29	3.80
111	101	Do 2½pc '01	(308.8)	105	+	3.61	4.10
110	100	Do. 2½pc '03	(310.7)	103	+	3.47	4.05
113	103	Do. 2pc '06	(274.1)	105 xd	+	3.47	3.96
108	98	Do. 2½pc '09	(310.7)	100	+	3.47	3.87
113	103	Do. 2½pc '11	(294.1)	105	+	3.53	3.80
95	86	Do. 2½pc '13	(351.9)	88	+	3.44	3.74
103	94	Do. 2½pc '16	(322.0)	96 xd	+	3.25	3.68
102	92	Do. 2½pc '20	(327.3)	94	+	3.34	3.60
86	77	Do. 2½pc '24 ‡‡	(385.3)	80½ xd	+	3.28	3.51

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for October 1986: 388.4 and for May 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53xd	..	3.50	16.60
50	40	Do. 6pc 28 Stb. Ass.	50	......	3	16.00
47	45	Do 4pc Mixed Ass.	47	......	2	14.36
65	58	Hung. '24 Ass	63	....	2.75	14.37
146½	122¾	Hydro Quebec 15pc 2011	140¼	......	15.00	10.39
94	83	Iceland 6½pc '83-88	90	.....	—	—
136¼	115½	Do. 14½pc Ln. 2016	129¾xd	......	14.50	11.04
103½	94	Ireland 9¾pc '91-96	100⅞	...	9.75	9.54
98½	93	Japan 6% '83-88	94	.....	—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
41	32¾	Abbott Laboratories$1	39¾	+	$1.00	—	1.6
17	11¾	Ahmanson (H.F.)	12⅞	−¼	88c	—	4.2
35	24¾	Alcoa $1	34⅞	−¼	$1.20	—	2.1
18⅞	15½	Allegheny & W $0.01	17¾	+¼			
14¾	8½	Amax $1	14¾	+¼	—	—	—
26¼	17¼	Amdahl 5c	22½	....	20c	—	0.5
33	25½	Amer. Cyanamid $5	31		$1.90	—	3.8
25	18	Amer. Express $0.60	20⅞xd	−¼	$1.44	—	4.2
12⅞	10	Amer. Medical Int. $1	11½	+¼	72c	—	3.8
18	14½	American T. & T. $1	18	+¼	$1.20	—	4.1

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30¼	22⅞	Sara Lee $1	27½xd	.....	$1.00	—	2.2
11⅞	8⅞	Saul (B. F.) $1	10¼xd	+¼	20c	—	1.1
26¼	19⅞	Southwestern Bell $1	23¼xd	–⅛	h$2.32	—	6.1
18⅛	14¼	Staley Continental	17⅞	.....	80c	—	2.8
44⅞	36¼	Sun Co. Inc. $1	41¼xd	–¼	$3.00	—	4.5
37	28½	TRW Inc. $1¼	32¾	–¼	h$1.60	—	3.0
32	25⅞	Tenneco $5	31⅞	+¼	$3.04	—	6.0
187½	149½	Do 10pcLn.Stk. 91-5	187½xd	.....	10%	—	5.5
28	17⅞	Texaco $6.25	28xd	+⅞	$3.00	—	6.6
61⅞	47⅛	Time Inc. $1	61½	+⅛	$1.00	—	1.0
14½	11	Tracor $0.33	12½	+⅛	40c	—	2.0
26⅞	18⅞	Transamerica $1	26⅝xd	+¼	$1.76	—	4.1
12⅛	922p	Transworld Corp $5	11⅞	+⅛	20c	—	1.0
46	29¾	TRINOVA Corp.	42¼	–⅛	h$1.00	—	1.5
22	15⅛	♥USX $1	22	+⅛	$1.20	—	3.3
19⅛	15⅞	Union Carbide $1	18⅝	.....	$1.50	—	4.9
35⅞	26⅞	Utd. Technologies	33⅛	–¼	$1.40	—	2.6
38⅝	27	US West‖	32⅛	–½	$3.28	—	6.2
25	17⅛	Waste Management $1	25⅛	–⅛	—	—	—
£22¼	£20½	Whirlpool $1.0 £22		–⅛	—	—	—
35⅛	26	♥Woolworth $3½	33⅞	+⅛	$1.32	—	2.4

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp.	21p	.....	—	—	—
12⅝	50p	♥Amer. Barrick Res.	11¼xc	+¼	—	—	—
122p	52p	Armeno	70p	–5	—	—	—
19⅛	14⅝	Bk. Montreal ‖	16¼	+⅛	$2.00	—	5.7
10½	745p	Bk. Nova Scot.‖	850pxd	+8	72c	—	3.9
20⅝	18	BCE ‖	20	+¼	$2.40	—	5.5
960p	712p	♥Bow Valley‖	954p	+18	40c	—	1.9
19¼	12⅞	♥Brascan‖	18¼	+⅛	88c	—	2.2
609p	277p	♥Breakwater Res.	396p	–2	—	—	—
11⅝	834p	Can.Imp Bk. $2	10⅞xd	.....	$1.08	—	4.8
13⅛	865p	Can. Pacific ‖	13⅞xd	+½	48c	—	1.7
42½	37½	Do. 4pc Deb £100	41½	.....	4%	—	9.6
27½	11⅝	♥Echo Bay Mines	21⅝	–1¼	20c	—	0.8
181p	66p	Euro-Asia Capital Ltd.	175p	–2	—	—	—
733p	353p	Galactic Resources	512p	.....	—	—	—
69p	32p	Global Data Systems	51p	.....	—	—	—
873p	399p	♥Granges Explnǁ	646p	+9	—	—	—
18½p	10p	♥Gt Pacific Res.	16p	+1	—	—	—
14½	781p	♥Gulf Canada‖	13⅞	.....	32c	—	1.7
13¼	10	♥Hawker Sid Can‖	12⅝	.....	96c	—	3.6
740p	460p	Henlys Group	605p	+20	—	—	—
14⅛	10⅛	Hudson's Bay ‖	10⅞xd	+⅛	60c	—	2.5
36	24⅝	♥Imperial Oil‖	36	+¼	s$1.60	—	2.0
12	782p	Inco‖	11¼xd	–¼	US$0.20	—	1.0
25⅛	14¼	♥Intl. Corona Res.	18¼	+⅛	—	—	—
695p	575p	♥Inland Nat. Gas $1	675p	+3	60c	—	4.1
10⅛	385p	♥Lacana Mining Corp‖	827p	+14	Q15c	—	0.8
363p	158p	♥Mascocho Expln.	244p	+10	—	—	—
10	749p	♥Nu-West Business Syst.‖	902p	–16	—	—	—
12	927p	♥Rio Algom	11	.....	$1.30	—	5.4
19⅛	14¼	Royal Bk. Can. ‖	16⅛	+⅛	$2.00	—	5.6
385p	135p	♥Royex Gold Mining ‖	239p	+5	—	—	—
49½	40¼	Seagram‖	49⅛	+¼	US$1.00	—	1.2
14⅞	11½	Toronto-Dom. Bk.‖	14¼	+⅛	84c	—	2.6
228p	19p	♥Trans Atlantic Res ‖	88p	–10	—	—	—
10⅛	789p	♥Trans Can Pipe	861p	+25	$1.12	—	6.0
184p	124p	Varity Corp‖	128p	.....	—	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
194	146	ANZ $A1	194	+3	hQ20.7c	2.4	4.8	8.7
*273	230	Allied Irish	250	–1	Q61.6%	2.8	5.7	8.7
£164	£135¼	Algemene FL.100	£143	–1½	nQ27%	2.1	5.8	8.1
*67	53	Anglo Irish	65xr	.....	pQ19.69%	1.4	6.8	16.6
98½	84	Ansbacher (H.) 1p	98½	.....	2.0	—	2.8	—
£40½	£24¼	Banco de Bilbao S.A.	£33¼	.....	Q38%	3.0	2.8	18.7
£29⅞	£23½	Banco de Santander	£29⅞	+1	Q23.2%	♦	1.5	♦
*243	176	Bank Ireland Ird£1	231	+3	pQ15.93%	2.9	6.3	8.0

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

صلى الله عليه وسلم

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	1987 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelstax Group 10p	485	......	3.5	2.7	1.0	52.2
35	28	Aberdeen Am Pet 10p	32	......	—	—	—	—
125	110	Allied Ins. Brokers	120	......	L3.5	2.5	4.1	13.9
83	78	Amercoeur Energy 10p	83	......	—	—	—	—
15½	9	Ardmore Pet. 'A'	12	......	—	—	—	—
80	45	Catalyst Comms. 5p	77	+1	—	—	—	32.0
200	168	Chelsea Artisans 5p	173	......	—	—	—	21.2
151	47	Corton Beach 10p	136	+13	0.4	♦	0.4	♦
200	190	Crown Eyeglass 5p	185	......	—	—	—	—
275	102	Edenspring Investment	275	+7	—	—	—	—
*62	18	Eglinton Oil Ir.5p	25	−1	—	—	—	—
41	17	Do. Warrants	19	......	—	—	—	—
80	17	Publishing Hldgs.5p	65	−3	—	—	—	37.7
85	45½	Theme Holdings	85	+6	1.0	♦	1.6	♦
140	111	Unit Group	140g	......	R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	88	.....
Craig & Rose £1	£18½xd	.....
Finlay Pkg. 5p	125	−2
Holt (Jos) 25p	980	+5
IoM Stm. £1	125	.....
IRISH		
Fund 11¾% 1988	£100½	.....
Nat. 9¾% 84/89	£98½	.....
Fin. 13% 97/02	£118⅝	.....
Arnotts	345	.....
CPI Hldgs	58	.....
Carrol Inds.	175xd	+10
Dublin Gas	18	.....
Hall (R. & H.)	118	+6
Helton Hldgs.	40	.....
Irish Ropes	170	.....
Unidare	400	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	20
BAT	55
BOC Grp	45
BSR	17
BTR	30
Babcock	19
Barclays	52
Beecham	50
Blue Circle	50
Boots	25
Bowaters	50
Brit Aerospace	55
Brit. Telecom	32
Burton Ord	35
Cadburys	22
Charter Cons.	40
Comm Union	30
Courtaulds	45
FNFC	30
Gen Accident	95
GEC	24
Glaxo	200
Grand Met	55
GUS 'A'	175
Guardian	90
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	40
Legal & Gen	32
Lex Service	45
Lloyds Bank	50
Lucas Inds.	62
Marks & Spencer	22
Midland Bk	55
Morgan Grenfell	35
NEI	12
Nat West Bk	65
P & O Dfd	65
Plessey	22
Polly Peck	28
Racal Elect	24
RHM	30
Rank Org Ord	70
Reed Intnl	45
STC	30
Sears	15
TI	34
TSB	10
Tesco	55
Thorn EMI	70
Trust Houses	24
Turner Newall	28
Unilever	300
Vickers	20
Wellcome	42
Property	
Brit Land	25
Land Securities	45
MEPC	42
Peachey	45
Oils	
Brit Petroleum	32
Britoil	32
Burmah Oil	45
Charterhall	6
Premier	11
Shell	110
Tricentrol	11
Ultramar	24
Mines	
Cons Gold	95
Lonrho	26
Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Merchant banks lead rebound in equities but Government bonds remain quiet

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3

* New time dealings may take place from 9.00 am two business days earlier.

The UK stock market bounced higher yesterday, closing at new peaks as speculative activity was triggered in the financial sector by the disclosure that Union Bank of Switzerland has opened discussions with Hill Samuel, the British merchant bank, which could lead to a bid offer.

Stocks advanced across the full range of the market, despite a cool performance by both Gilt-edged and the international equities. Oil shares registered only modest gains, with investors uncertain how to respond to the latest news of air attacks in the Gulf.

At the close, the FT-SE 100 index was a net 14.1 up at 2,371.0, a new peak, but below the mid-session level. Volume was not heavy and the market professionals remained cautious on the outlook for the equity sector. The FT Ordinary rose 18.9 to 1,846.1, also a peak.

The upsurge in merchant bank stocks reflected the City's belief that, with many of the UK houses needing fresh capital to face the post-Big Bang market, the sector was ripe for major acquisition moves.

At the same time, the sale of a stake in Gold Fields SA by Consolidated Gold Fields to Rembrandt, the Johannesburg group, enlivened the mining finance sector.

Banking, insurance and some property shares found the buyers again, as the excitement spread from the merchant bank area. But on the industrial side, it was left to company statements to provide the features. Thorn EMI soared ahead on good profits.

However, profit-taking again cut into some of the recent favourites. Reed International gave ground again and on the pharmaceuticals share screens, Glaxo slipped lower as the foreign interest switched elsewhere. Beecham gave ground again, still reacting to bearish comment from a US house. Saatchi & Saatchi was another leading name to turn down as the foreign buyers stayed out of London.

The Gilt-edged market had "one of its most boring days for a long time," commented one leading trader. Retail interest was very slack, and the Treasury market was left to take its cue from the LIFFE futures area. After shading off during the session, long-dated issues rallied to show little net change on the day.

The bond sector sees an "even chance" of a new taplet stock today. If the market is left untapped, then prices are expected to edge higher next week.

News that Hill Samuel is involved in negotiations with Union Bank of Switzerland—which could lead to a bid for the former—triggered a rush of support for Hill shares and a general upsurge in shares of other merchant banks.

Trading in Hill Samuel shares was suspended by the Stock Exchange prior to the official 9 am opening. After the statement Hill Samuel raced up to eventually end the session a massive 165 higher at 676p.

Other merchant banks surged ahead on bid speculation. **Schroders** and **Kleinwort Benson**, recently tipped as possible targets for Japanese securities house Nomura, were particularly strong with the former ¾ up at £13½, after £13¾ and the latter 33 up at 598p. **Morgan Grenfell** leapt 32 to 419p and **Mercury International** gained 18 to 494p. **Guinness Peat**, where Equiticorp holds an interest of around 27 per cent, rose 5 to 104p, while **Hambros**, where a 5.2 per cent stake was announced by Spanish bank Banco de Bilbao on Wednesday, put on 6 to 320p. Financial services group and money broker **Mercantile House**, which announced it was involved in takeover discussions late on Wednesday, edged up 5 more to 490p.

The big-four clearing banks rallied well led by **Lloyds**, up 9 to 384p. **Midland** steadied after Wednesday's sell off and edged up 3 to 631p. **Standard Chartered**, picked up 14 to 778p; the ban on Lloyds renewing its bid for Standard expires on Sunday.

Royal featured in insurances, rising 16 to 528p.

Consolidated Gold Fields bounded up by ⅞ to £11⅝ with 2.7m shares traded as Rembrandt, the South African group, paid ConsGold around £131m for a 10 per cent stake in Gold Fields of SA, reducing its holdings in GFSA to 33 per cent.

RTZ, which like ConsGold, has been rising for some weeks on speculative interest, also moved up sharply. The Rembrandt deal enlivened the gold producer sector, where **Western Deep Levels** led a general advance which lifted the FT Gold Mines index by 10.3 to 402.1. The latest sales figures continued to help **De Beers** shares.

Thorn EMI jumped 17 to 798p in the wake of the announcement of better-than-expected annual results.

Following a year of reorganisation, analysts' profits forecasts had ranged from £145m to £155m pre-tax for the year. In the event, Thorn EMI turned in a figure of £159.5m which came as a welcome surprise.

Fisons shares jumped 18 to 395p as London's Barclays de Zoete Wedd and New York's Salomon Bros raced to be the first to deliver favourable recommendations to their respective clients.

Both houses are very bullish on Tilade, Fisons' respiratory drug—BZW predicts Tilade sales of £500m, or 5-10 per cent of the world market by 1992. But Salomon lays the stress on Fisons' lead in research into inflammatory diseases treatment, which the US firm believes has sales prospects of £2.5bn plus.

SEP Industrial Holdings, the USM debutant placed at 35p, closed at 45p having touched 47p. Building products group **Caradon** continued to race ahead and ended the day a further 18 up at 372p, compared with the original offer price of 250p.

Llanelli-based **Buckleys Brewery**, the subject of persistent speculative interest for some considerable time, leapt 14 to 182p, establishing an immediate premium to the 175p per share cash offer from Peter Clowes and Guy Von Cramer. Buckleys' board later issued the traditional "take no action" advice to shareholders, many of whom are clearly hoping for a counter-bid; Whitbread controls some 27 per cent of Buckleys' equity.

Cable and Wireless, helped by the Government's move to support Mercury in an effort to gain access to revenues from the lucrative international telephone traffic to and from Europe, were briskly traded and closed 13 to the good at 414p. Elsewhere, **Automated Security** advanced 8 to 282p on the interim results, while **UEI** gained 21 to 491p after the annual meeting and contract news. **Eurotherm**, awaiting next week's interim figures, put on 13 to 489p. **Berland** rose 18 to 283p on the proposed merger with ANSA Corp.

Among the Engineering leaders, **GKN** came to life with a rise of 14 at 370p, while **Hawker** put on 19 to 577p in a small volume of business. Elsewhere, news that Overseas Corporate Funds has acquired a 5.1 per cent stake left **Victor Products** 11 to the good at 131p. **Glynwed**, which announced an agreed offer for Plastic Constructions on Wednesday, were supported at 524p, up 18, while a fresh gain of 9 to 63¾p in **CI Group** gave rise to take-over talk. **Birmid Qualcast** edged up 3 to 277p in response to the interim figures.

ASDA-MFI remained to the fore among Food Retailers, touching 201p at one stage before settling 5 up on balance at 199p as talk of the sale of its furniture operation continued to do the rounds; ASDA confirmed that its full-year figures will be announced next Wednesday. **William Morrison**, also the subject of substantial speculative interest recently, had another lively day and dipped sharply before the onset of new-time buying which lifted the shares to 339p—up 7 on the session.

Among Food Manufacturers, **Fitch Lovell** dipped 7 to 343p as the beter-than-expected preliminary figures were outweighed by feelings that the group is unlikely to receive a bid approach, at least in the near future. Albert Fisher have constantly been touted as possible suitors. In contrast, soft drink group **A. G. Barr** spurted 42 to 605p reflecting satisfaction with the increased interim profits and dividend. **E. T. Sutherland** rose 7 to 100p with the aid of a newsletter.

Movements in the miscellaneous industrial leaders were usually small and mixed. Elsewhere, Press mention stimulated fresh demand for **English China Clays** which put on 12 more to 521p. Further consideration of the interim figures left **Southern Businesses** 14 to the good at 337p, while **Oakwood**, the subject of a recent consortium bid, continued to make progress at 770p, up 10. Investment demand left **Williams Holdings** 34 dearer at 898p, but **Alexander Russell** eased 4 to 115p after disappointing preliminary figures. In contrast, satisfactory half-year results prompted a rise of 5 to 11p in **Ashley Industrial Trust**. **Burns Anderson** advanced 14 to 235p as some 5m shares were successfully placed with a wide spread of institutions at 217p. The shares were placed on behalf of Mr Richard and Donald Richardson which reduces their holding to 29 per cent.

Travel group **Owners Abroad** were an extremely volatile market. Marked down to 131p at one stage on consideration of Wednesday's statement that former chairman Mr Neil Scott had reduced his personal holding in the group to below 3 per cent, the shares subsequently attracted new-time support and rallied smartly to 146p before settling 2 dearer on balance at 142p, reflecting thoughts that the oft-rumoured consortium bid might still be on the cards. Elsewhere in Leisure issues, takeover chatter also resumed in **Samuelson**, finally 15 up at 160p.

Buyers displayed revived enthusiasm for selected Motor Distributors. The entire sector has put on a strong performance throughout the week following reports of buoyant sales of new vehicles. Gains of between 15 and 20 were common to **Jessups**, 220p, **Caffyns**, 488p, and **Appleyard**, 368p. **Lookers** hardened a few pence more to 457p on reflection of the 28 per cent stake taken by Woodchester, another 25 to the good at 785p. Truck group **ERF**, recently in receipt of a newsletter recommendation, advanced 10 for a two-day gain of 20 at 198p.

Associated Newspapers responded to better-than-expected interim figures with a rise of 15 at 653p. Elsewhere in the sector, **Gold Greenlees**, reflecting the Cadbury's contract worth some £2m, advanced 20 to 400p. **David S. Smith**, still on the sale of two corrugated cardboard plants for £4.44m and the proposed £20m investment programme, advanced 11 more to 428p. In contrast, **WPP** dipped 55 to 890p following publicity given to a broker's adverse review of the company.

Dares Estates closed 2 up at 65p following the joint venture with the Shaftesbury company to purchase 4-5 Millbank in London for £22.5m in cash and to redevelop the property to the highest standards.

Mersey Docks Combined Units made further spectacular progress rising 59 to 207p, albeit in an extremely narrow market, as plans for a massive redevelopment of Liverpool's northern docks were unveiled. The scheme is from Errill Holdings, the property development group which recently announced proposals to form a joint venture with Mersey Docks.

Tobaccos were featured by a revival of demand for **Rothmans** which advanced 28 to 412p. **Dunhill** moved up 80 to 948p in sympathy.

The latest advance by crude oil prices—Brent crude jumped another 30 cents in London yesterday while US oil prices touched their best levels for 19 months following increasing concern over the Gulf conflict—gave another widespread boost to oil shares. The majors showed **BP** up 3 at 410p after a turnover of 8.6m shares and **Shell** a shade better at £15⅛. **British Gas** added 3 at 194p with 12m shares changing hands; Japanese houses, said to have been big buyers of Gas on Wednesday, stayed in the background yesterday.

UK oil companies regarded as being highly geared to oil prices were big beneficiaries of the latest rise in oil prices. The market's current favourite **Enterprise Oil**, where Smith New Court have been strong supporters of the shares, jumped 16 more to a record 347p while **LASMO**, a major shareholder in Enterprise advanced 23p to 344p. **Britoil** jumped 8 more to 343p on a turnover of 5.7m shares.

Traded option volume decreased slightly from the active levels seen on Wednesday. Nevertheless, operators still showed sizeable interest in British Gas 5,871 calls and 2,950 puts done—and in current takeover favourite Sears which attracted 2,852 calls and 3,410 puts. Total contracts transacted amounted to 50,914.

Traditional Options

- First dealings July 6
- Last dealings July 17
- Last declaration Oct 8
- For Settlement Oct 19

For rate indications see end of London Share Service

Stocks dealt in for the call included Broad Street, Hampton Trust, Property Trust, Neil and Spencer, Widney, Amstrad, Stormguard, Talbex, Beulex, J. Israel, Abaco, Eagle Trust, Kellock, Blacks Leisure, Glanfield Lawrence, Boots, Dunton, Central and Sheerwood, Polly Peck, Aberdeen Construction, Bula Resources, Hawley Group and Tesco. A put was arranged in A and M Group, while ASDA-MFI were dealt in for the double.

FINANCIAL TIMES STOCK INDICES

	July 9	July 8	July 7	July 6	July 3	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.89	90.72	90.66	90.45	90.03	90.41	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.96	97.26	97.25	97.28	97.13	97.12	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1846.1	1827.2	1836.7	1830.8	1818.5	1340.6	1,846.1 (9/7)	1,320.2 (2/1)	1,846.1 (9/7/87)	49.4 (26/6/40)
Gold Mines	402.1	391.8	386.8	376.2	378.9	203.6	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.12	3.13	3.12	3.14	3.17	4.13				
Earnings Yld. % (full)	7.54	7.52	7.52	7.56	7.62	9.90				
P/E Ratio (net) (*)	16.30	16.40	16.41	16.32	16.19	12.30				
SEAQ Bargains (5 pm)	52,475	51,118	56,094	60,584	49,904	—				
Equity Turnover (£m)	—	1,909.34	1749.32	1,419.53	1711.27	798.15				
Equity Bargains	—	64,718	66,294	57,232	56,554	26,603				
Shares Traded (ml)	—	—	753.7	771.4	748.7	313.3				

S.E. ACTIVITY

Indices	July 8	July 7
Gilt Edged Bargains	114.9	136.8
Equity Bargains	419.3	429.6
Equity Value	3859.3	3535.8
5-Day Average		
Gilt Edged Bargains	116.0	114.1
Equity Bargains	385.5	364.0
Equity Value	3422.2	3124.2

♥ Opening 1835.5 | 10 a.m. 1832.1 | 11 a.m. 1843.3 | Noon 1840.7 | 1 p.m. 1845.3 | 2 p.m. 1848.6 | 3 p.m. 1848.0 | 4 p.m. 1845.0

Day's High 1849.2 Day's Low 1830.9. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.99.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (290)

AMERICANS (5), CANADIANS (2), BANKS (8), BREWERS (5), BUILDINGS (25), CHEMICALS (7), STORES (12), ELECTRICALS (18), ENGINEERING (29), FOODS (3), HOTELS (1), INDUSTRIALS (66), INSURANCE (3), LEISURE (8), MOTORS (12), NEWSPAPERS (5), PAPERS (12), PROPERTY (20), SHIPPING (3), SHOES (1), SOUTH AFRICANS (1), TEXTILES (6), TOBACCOS (1), TRUSTS (122), OILS (11), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (6), THIRD MARKET (2).

NEW LOWS (8)

BRITISH FUNDS (1), Treas 12pc 1987, CANADIANS (1) Echo Bay Mines, BANKS (1) MCorp, INDUSTRIALS (2) Hawtal Whiting, Smiths Doctus.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	13,900	199	+5	Jaguar	3,400	566	+4
Allied Lyons	2,400	454	+10	Ladbroke	2,000	457	+13
Amstrad	3,300	183	—	Land Securities	1,400	550	+1
Argyll Group	1,500	464	+6	Legal & Gen.	422	370	+1
Assoc. Brit. Foods	111	395	−2	Lloyds Bank	2,000	384	+9
BAT	2,600	654	+5	Lonrho	214	287½	+1½
BET	721	290	—	MEPC	2,300	549	+11½
BOC	260	527	−3	Marks & Spencer	9,700	262	+10½
BPB Inds	164	829	+6	Midland Bank	1,300	631	+3
BPCC	1,500	325	—	NatWest Bank	486	723	+1
BTR	1,100	331	+1	Next	2,500	344	−8
Barclays	986	608	—	Pearson	302	742	+2
Bass	360	£10⅛	−0⅛	P & O	200	747	+2
Beecham	1,300	550	−2	Pilkington Bros	522	£10½	−0⅛
Blue Circle	262	524	+2	Plessey	9,000	230	+6
Boots	1,300	308	+1	Prudential	226	£11⅛	+0⅛
Brit. Airways	9,100	168	+3	Racal	12,900	280	+1
Brit. Aero	2,000	550	—	Rank Org	185	781	+6
Brit. & Comm.	469	537	+3	RHM	540	334	+1
British Gas	10,000	194	+3	Reckitt & Col	36	£12⅛	−0⅛
Britoil	5,100	343	+8	Redland	1,000	566	−2
BP	8,100	410	+3	Reed Intl.	2,300	540	−5
Brit. Telecom	7,800	287½	−1½	Reuters	100	872	—
Bunzl	256	260	−1	RMC	343	514	+7
Burton	4,100	321	−8	RTZ	1,800	£11⅞	+0⅛
Cable & Wire	5,000	414	+13	Rolls-Royce	8,100	126	+4
Cadbury Schwps	1,000	270	+1	Rowntree	470	573	−1
Coats Viyella	257	341	−3	Ryl Bank Scotland	439	387	+1
Comm. Union	2,600	374	+3	Royal Insurance	2,400	528	+16
Cons. Gold	2,600	£11⅝	+0⅞	STC	1,300	319	+1½
Cookson	209	769	−4	Saatchi & Saatchi	401	668	−11
Courtaulds	1,300	494½	−2½	Sainsbury	1,200	285	—
Dee Corpn	1,900	247	—	Scott & Newcastle	2,300	252	+1
Dixons Group	1,400	374	−6	Sears	9,600	173½	+2½
English China Clays	622	521	+12	Sedgwick	2,000	312	+3
Fisons	4,400	395	+18	Shell Trans	1,800	£15⅛	+0⅛
Gen. Accident	175	£11⅛	+0⅛	Smith & Nephew	809	183½	−1½
Gen. Elect	4,700	229	−1½	Standard Chart	503	778	+14
Glaxo	1,400	£17⅛	−0⅛	Storehouse	487	296	−1
Globe Investment	1,200	189	+4	Sun Alliance	594	£10⅛	—
Granada	2,500	353	—	TSB	3,900	92	—
Grand Met	3,700	580½	+14½	Tarmac	2,400	310	+2
GUS "A"	83	£14	−0⅛	Tesco	2,600	194	−3
Guardian R.E.	403	£10⅞	+0⅛	Thorn EMI	8,000	798	+17
GKN	2,300	370	+14	Trafalgar House	2,300	411	+4
Guinness	1,200	364	+3	T'house Forte	4,300	275½	+2
Hammerson	280	628	+5	Unigate	1,000	406	−7
Hanson Trust	12,900	176½	+2½	Unilever	828	661	+2
Hawker Sidd	949	577	+19	United Biscuits	410	329	−1
Hillsdown Hldgs	7,400	318	−7	Wellcome	316	459	−5
ICI	1,200	£15⅛	—	Whitbread "A"	327	373	+3
				Woolworth	1,000	418	−9

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	20	73	19
Corporations, Dominion and Foreign Bonds	10	8	40
Industrials	616	397	542
Financial and Properties	318	65	216
Oils	43	23	48
Plantations	3	1	10
Mines	85	19	85
Others	92	73	91
Totals	1,187	659	1,051

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday July 9 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed July 8 Index No.	Tues July 7 Index No.	Mon July 6 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	1000.90	+0.6	6.85	2.72	18.29	10.75	994.72	992.12	984.77	735.13
2	Building Materials (29)	1324.32	+0.4	6.55	2.59	19.12	13.90	1319.45	1295.24	1280.96	824.59
3	Contracting, Construction (33)	1852.54	+0.6	6.47	2.58	20.74	19.30	1842.06	1826.46	1807.02	1267.44
4	Electricals (13)	2670.24	+1.3	5.68	2.98	22.63	36.50	2637.00	2580.06	2573.29	1891.41
5	Electronics (35)	2143.26	+0.5	7.07	2.29	18.10	15.24	2131.81	2152.72	2138.92	1657.88
6	Mechanical Engineering (60)	529.39	+0.8	7.62	3.19	16.47	7.68	525.28	527.90	524.02	410.47
8	Metals and Metal Forming (7)	567.29	+0.9	6.91	2.77	17.45	6.80	562.47	565.21	565.90	358.40
9	Motors (14)	382.30	+1.0	7.99	2.78	14.55	3.42	378.62	377.03	377.66	312.99
10	Other Industrial Materials (21)	1641.03	+0.6	6.02	2.97	20.03	20.86	1631.20	1625.63	1610.65	1319.42
21	CONSUMER GROUP (185)	1362.01	+0.2	5.80	2.48	22.12	13.72	1358.94	1364.32	1357.43	931.95
22	Brewers and Distillers (22)	1245.50	+1.1	7.53	2.86	16.71	11.67	1231.37	1252.14	1245.82	951.07
25	Food Manufacturing (24)	1049.01	−0.2	6.70	2.91	19.37	14.27	1050.99	1060.07	1058.29	607.66
26	Food Retailing (16)	2560.33	+0.3	5.01	2.25	27.29	21.12	2552.76	2574.90	2593.90	1840.30
27	Health and Household Goods (10)	2582.75	−0.4	3.91	1.55	29.95	14.67	2592.14	2562.00	2529.84	1571.25
29	Leisure (31)	1446.63	+1.2	5.70	3.01	22.72	16.21	1428.86	1442.64	1435.27	920.61
31	Packaging & Paper (15)	719.89	—	5.68	2.40	23.31	7.88	719.79	721.91	720.65	482.99
32	Publishing & Printing (15)	4494.11	−0.4	4.69	3.04	27.45	58.32	4514.00	4538.16	4522.89	2585.50
34	Stores (36)	1127.97	+0.5	6.32	2.53	21.49	12.81	1122.91	1124.73	1115.15	884.99
35	Textiles (16)	818.23	−0.5	7.60	2.74	15.26	10.67	822.02	827.13	823.56	555.48
40	OTHER GROUPS (86)	1147.80	+0.4	7.46	3.05	16.75	10.43	1143.02	1144.05	1141.48	786.78
41	Agencies (16)	1702.09	−0.2	4.01	1.43	32.86	9.50	1705.52	1701.76	1692.72	0.0
42	Chemicals (22)	1441.16	—	6.82	3.05	17.98	19.49	1440.85	1431.98	1419.92	915.43
43	Conglomerates (12)	1448.93	+0.9	7.08	3.15	16.20	18.93	1435.36	1443.45	1450.82	0.0
45	Shipping and Transport (11)	2418.09	+0.4	6.32	3.32	20.87	37.76	2407.29	2390.32	2384.84	1502.20
47	Telephone Networks (2)	1123.83	+0.2	8.95	3.60	14.91	1.09	1121.62	1134.62	1135.18	838.07
48	Miscellaneous (23)	1653.52	+1.0	8.37	2.70	14.34	18.29	1637.62	1626.77	1618.50	1079.88
49	INDUSTRIAL GROUP (483)	1225.50	+0.4	6.51	2.70	19.41	12.22	1220.87	1222.64	1216.63	854.61
51	Oil & Gas (17)	2450.17	+1.0	4.47	3.77	28.98	37.29	2426.89	2425.67	2411.68	1175.77
59	500 SHARE INDEX (500)	1329.51	+0.5	6.19	2.86	20.48	14.41	1323.30	1324.81	1318.12	883.79
61	FINANCIAL GROUP (118)	843.27	+1.2	—	3.49	—	12.88	833.06	840.93	838.30	619.48
62	Banks (8)	841.53	+0.6	16.47	4.45	8.03	15.49	836.76	849.81	840.83	662.30
65	Insurance (Life) (9)	1183.35	+0.4	—	3.56	—	20.71	1179.21	1194.71	1193.97	903.78
66	Insurance (Composite) (7)	631.62	+1.3	—	3.88	—	11.76	623.40	634.86	630.87	495.72
67	Insurance (Brokers) (9)	1295.35	+0.4	8.31	4.18	15.51	26.32	1290.23	1296.94	1297.09	1164.68
68	Merchant Banks (11)	463.62	+8.0	—	2.92	—	5.53	429.35	427.30	426.07	360.34
69	Property (46)	1313.25	+0.9	3.60	2.24	35.90	11.75	1301.71	1308.06	1319.86	802.00
70	Other Financial (28)	570.27	+1.4	5.84	2.84	21.55	5.89	562.59	558.91	554.47	348.55
71	Investment Trusts (91)	1126.14	+1.1	—	2.13	—	10.97	1113.49	1111.12	1110.52	759.84
81	Mining Finance (2)	583.91	+4.5	5.80	2.85	19.82	6.79	559.01	546.51	534.11	267.62
91	Overseas Traders (10)	1150.70	+0.5	7.87	4.09	15.08	23.27	1145.18	1137.51	1128.60	685.49
99	ALL-SHARE INDEX (721)	1199.06	+0.7	—	2.94	—	13.85	1191.17	1193.44	1187.67	805.63

	Index No.	Day's Change	Day's High	Day's Low	July 8	July 7	July 6	July 3	July 2	Year ago
FT-SE 100 SHARE INDEX ♣	2371.0	+14.1	2374.6	2358.4	2356.9	2365.4	2351.9	2328.1	2297.4	1626.7

FIXED INTEREST

	PRICE INDICES	Thurs July 9	Day's change %	Wed July 8	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.41	—	123.40	—	6.20
2	5-15 years	142.92	−0.04	142.97	—	7.31
3	Over 15 years	152.78	−0.21	153.09	—	6.85
4	Irredeemables	166.91	+0.02	166.87	—	7.27
5	All stocks	139.19	−0.06	139.27	—	6.90
	Index-Linked					
6	5 years	121.91	+0.03	121.88	—	1.57
7	Over 5 years	116.00	+0.14	115.84	—	1.71
8	All stocks	116.31	+0.13	116.16	—	1.69
9	Debentures & Loans	123.23	+0.04	123.18	—	6.13
10	Preference	89.37	+0.61	88.83	—	3.27

	AVERAGE GROSS REDEMPTION YIELDS		Thurs July 9	Wed July 8	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	8.15	8.15	7.93
2		15 years	8.97	8.95	9.5
3		25 years	8.98	8.96	9.09
4	Medium Coupons	5 years	9.08	9.05	9.30
5		15 years	9.19	9.17	9.36
6		25 years	9.20	9.18	9.36
7	High Coupons	5 years	9.21	9.19	9.50
8		15 years	9.34	9.33	9.50
9		25 years	9.15	9.13	9.35
10	Irredeemables †		8.85	8.83	8.97
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.58	2.58	3.85
12	Inflat'n rate 5%	Over 5 yrs	3.78	3.78	3.48
13	Inflat'n rate 10%	5 yrs	2.28	2.28	2.68
14	Inflat'n rate 10%	Over 5 yrs	3.72	3.72	3.33
15	Debs & Loans	5 years	10.11	10.11	9.74
16		15 years	10.11	10.11	10.14
17		25 years	10.11	10.11	10.22
18	Preference †		10.16	10.22	10.46

♣Opening index 2364.5; 10 am 2360.0; 11 am 2371.4; Noon 2368.3; 1 pm 2371.6; 2 pm 2373.7; 3 pm 2372.7; 3.30 pm 2369.7; 4 pm 2370.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*455)	390	68	78	92	1	4	7
	420	38	53	72	1½	10	15
	460	10	30	48	17	25	30
Brit. Airways (*166)	140	29½	35½	43	1	4	7
	160	10	21	30	3	9	19
	180	1	11	20	13	21	25
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*364)	300	68	73	—	2	4	—
	330	40	52	65	3	10	18
	360	17	37	47	12	22	30
	390	7	25	35	33	40	47
[illegible]							

July 9. Total Contracts 50,914. Calls 34,070. Puts 16,844

FT-SE Index Calls 1,120. Puts 988

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§110	F.P.	—	153	111	Babygro 10p	150	−3	R2.4	3.2	2.2	18.0
155	F.P.	7/8	191	158	Britannia Group (5p)	186	−5	R3.85	3.0	2.8	16.1
250	F.P.	31/7	372	250	Caradon 5p	372	+18	L6.0	3.0	2.2	19.2
§120	F.P.	31/7	195	150	‡Colorvision 5p	188	−7	R2.2	2.7	1.6	31.3
§120	F.P.	14/8	180	155	*Contac Group (5p)	160	……	—	—	—	—
‖ ‖	F.P.	—	190	166	Cresta Hldgs 10p	177	……	—	—	—	7.3
§95	F.P.	—	140	113	Elys 5p	136	……	L2.1	3.20	2.2	19.7
§90	F.P.	—	150	101	*Far East Res. 10p	150	+5	—	—	—	—
§178	F.P.	17/8	238	223	Glamar Group 10p	236	−2	u6.5	1.7	3.8	20.8
¶¶	F.P.	—	285	278	Grahams Rint'l Inv. Tst 5p	278	−2	—	—	—	—
§170	F.P.	1/7	205	188	H'bros Adv. Tech Tst	198	+2	—	—	—	—
§135	F.P.	13/8	204	184	Harland Simon (10p)	204	+2	L1.9	[illegible]	1.3	26.4
§150	F.P.	—	190	150	‡Hey and Croft 10p	181	−2	R3.85	3.4	2.9	13.9
§105	F.P.	—	126	120	ITL Inf. Tech.10p	120	−1	R2.0	3.3	2.3	18.5
105	F.P.	5/8	215	105	‡Knobs & Knockers 10p	140	+2	L1.17	4.60	1.1	26.1
§165	F.P.	14/8	231	165	Lancaster	231	+3	L2.75	3.5	1.6	23.8
§175	F.P.	22/7	210	190	‡Learn'th & Burch 10p	206	−2	Lu1.3	5.8	0.8	30.4
§130	F.P.	15/7	200	163	Neotronics 5p	200	+5	R1.8	4.2	1.2	26.4
§200	F.P.	—	208	201	Primadora	203	+2	u2.25	5.1	1.5	18.0
§165	F.P.	31/7	265	183	‡Ross C'sum. Elec. 10p	253	……	L3.5	2.6	1.9	27.4
§35	F.P.	—	47	35½	‡SEP Ind'l. Hldgs.5p	45	……	—	—	—	21.0
§100	F.P.	—	103	97	Saltire Insurance	98	……	—	—	—	—
§125	F.P.	19/6	200	155	‡Sharp & Law 10p	192	……	u3.0	2.4	2.1	26.3
§63	F.P.	—	89	76	‡Shelton (Martin) 10p	89	……	u1.75	2.3	2.7	22.2
§92	F.P.	24/6	114	93	‡Shoraiplan 5p	113	−1	u1.6	3.6	1.9	19.8
§20	F.P.	17/7	50	31	‡Stanco Exhibition 5p	50	+1	0.29	4.0	0.8	41.6
145	F.P.	17/7	195	147	Tie Rack 5p	155	……	R1.1	4.2	1.0	33.7
§130	F.P.	—	193	175	Warner Howard 5p	189	……	R2.66	2.70	1.9	25.0
135	F.P.	4/9	195	160	W'hmiller (Barry) Intl.5p	192	−3	R4.0	2.9	2.8	13.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
‖	Nil	24/7	110p	105p	Anglo Utd. Cnv. Red. Prf.	110p	—
100	F.P.	—	113p	109p	Asda Prop. 5¼% Cnv. Cum. Red Prf. 2012	113p	—
‖	F.P.	24/7	143p	127p	[illegible] 6¼% Cum. Cnv. Red. Pf.	143p	—
‖	Nil	7/8	13pm	4pm	Elliott (B) 7% Cnv.Cum.Red Prf.	13pm	+1
§100	£10	10/9	7½	7	[illegible] Water 9⅞% Red. Deb. '97-99	7	—
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]							

[illegible]

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

AUSTRALIA
[illegible]

HONG KONG
[illegible]

JAPAN
[illegible]

SINGAPORE
[illegible]

SOUTH AFRICA
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices July 9

[illegible]

MONTREAL
Closing prices July 9

[illegible]

NEW YORK

Indices

[illegible]

LONDON — Most Active Stocks
Thursday, July 9, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
ASDA-MFI	13.9m	199	+ 5	Sears	8.5m	173½	+ 2½
Hanson Trust	12.9m	175½	+ 2½	Brit Airways	9.1m	168	+ 3
Racal	12.8m	288	+ 1	Plessey	8.0m	238	+ 6
Brit Gas	10.8m	194	+ 3	BP	8.1m	410	+ 3
[illegible]	9.7m	282	− 10½	Brit Telecom	7.8m	[illegible]	− 1½

TOKYO — Most Active Stocks
Thursday, July 9, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	73.94m	324	+16	Tokyo Gas	10.36m	1,070	+50
Ishikawajima-Harima	28.66m	962	+37	Toshiba	8.26m	638	− 1
Mitsubishi Heavy Ind	14.71m	579	+16	Matsushita Elec Ind	8.05m	2,190	+60
Kawasaki Steel	13.55m	258	+13	Mitsubishi Estate	7.04m	2,600	+80
Kubota Ind	12.13m	623	+26	Nippon Kokan	7.02m	272	+15

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Appleyard	368	+ 22
ASDA-MFI	199	+ 5
Auto Security	282	+ 8
Barr (A.G.)	605	+ 42
Buckley's Brewery	182	+ 14
Burns-Anderson	235	+ 14
Cable & Wireless	414	+ 13
Dunhill	948	+ 80
Enterprise Oil	347	+ 16
Fisons	395	+ 18
GKN	370	+ 14
Glynwed Intl.	524	+ 18
Hill Samuel	676	+ 165
Kleinwort Benson	598	+ 33
LASKO	344	+ 23
MEPC	549	+ 11½
Marshalls Halifax	336	+ 13
Mercury Intl.	494	+ 18
Mersey Dock Units	207	+ 59
Morgan Grenfell	419	+ 32
Royal Ins.	528	+ 16
Samuelson	160	+ 15
Schroders	£13½	+ ¾
Standard Charter.	778	+ 14
Thorn EMI	798	+ 17
UEI	493	+ 21
Victor Products	131	+ 11

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

[illegible]

We regret that listings were incomplete in some editions yesterday due to communication problems.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR s	.50	1.5	23	148	33⅝	33¼	33⅝	+⅜
37	21⅞	ADT	.92	2.9	18	192	31⅞	31½	31½	−⅛
27¾	16¾	AFG s	.16	.6	12	259	26⅜	25⅞	26⅛	+⅛
22⅜	8⅝	AGS s			17	573	16¾	[illegible]	[illegible]	+¼
11⅞	6¾	AMCA				7	8⅝	8⅝	8⅜	+⅛
9⅞	4⅞	AM Ind				817	7½	7⅜	7½	
62⅞	47¼	AMR			12	[illegible]	58	56¾	57⅛	−⅛
11¾	8	ARX s			12	404	10⅝	10⅛	10¼	
73½	28¾	ASA	2a	3.3		1057	61¼	59⅞	61	+¾
20	9¾	AVX			85	133	17⅛	[illegible]	17	−⅛
67	41	AbtLab	1	1.6	26	[illegible]	63½	62⅝	[illegible]	−1
26	25⅝	Abitibi g				14	25¾	25⅝	25⅝	−⅛
28¾	18⅝	AccoWs .44		1.5	26	3789	28⅝	28½	28½	−⅛
15⅞	9	AcmeC .40		2.9	10	392	13⅞	13⅜	13⅞	+⅝
8⅝	6⅛	AcmeE .32b		4.1	30	47	7⅞	7⅞	7⅞	
23⅞	19	AdaEx 3.42e		15		37	22⅝	22⅞	22⅛	
19½	11⅜	AdmM s .24		1.5	12	12	16¼	16¼	16¼	−¼
25⅛	12⅛	AdvSys.62t		2.6	17	217	23¾	23½	23½	−¼
24½	12⅞	AMD				4461	18¼	17⅞	18	−⅛
54¾	48	AMD pf	3	6.3		399	47½	d47	47¼	−¾
10¾	5¼	Adobe				1946	10⅛	9⅞	10	+⅛
20½	13¾	Adob pf 1.84		9.6		29	19¼	19⅛	19¼	
21⅞	16⅜	Adob pf 2.40		11.		111	21⅜	21	21⅜	+⅛
15⅝	10⅝	Advest .12a		1.0	9	60	12¾	12⅜	12⅜	−¼
66¼	53	AetnLf 2.76		4.7	9	8539	59⅝	59¼	59¼	−⅛
64½	28½	AffPb s .32		.5	32	175	62¾	62	62	−⅛
28¾	18⅝	AhmanSS		4.3	6	5043	20⅞	20½	20⅝	
5⅜	2⅞	Aileen				37	4	3⅞	3⅞	−⅛

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

58¼	54¼	Xerox pf5.45	9.9			43	55	54⅞	55	
28⅝	27½	XTRA	.64	2.3		893	28½	26⅞	27⅞	+⅞
27¼	15	Yorkin			17	2842	28⅞	24½	28½	+1⅜
5½	2¼	Zapata				797	5½	5⅜	5½	
42⅝	28¾	Zayre	.40	1.3	19	7884	31⅞	28⅞	31	+1¼
14¾	9¾	Zemex	.40	3.0	6	35	13½	13	13¼	+¼
29¼	16⅝	ZenithE				2859	27	25½	26⅝	+⅛
15	8	ZenLab				877	10⅛	9⅞	10	
19½	12⅜	Zero	.36	2.2	17	224	16½	16⅜	16½	−⅛
28½	16⅝	Zurnin s			19	348	28½	27¾	27⅞	
10⅞	6¼	Zweig n.66e	6.7			812	9¾	9⅝	9¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Blue chips decline amid profit taking

WALL STREET

A WEAKER BOND market and profit taking knocked down Wall Street's blue chips yesterday but secondary stocks held their ground better in heavy trading, *writes Roderick Oram in New York.*

Credit markets were undermined by a downturn in the dollar and uneasiness that this morning's producer price index for June might show a bigger jump than the 0.4 per cent generally forecast. Prices fell as much as two-thirds of a point but the markets were affected little by news that an Iranian gunboat had attacked a US-owned tanker in the Gulf.

The Dow Jones industrial average closed down 12.76 points at 2,451.21. It had drifted all day with small losses apart from brief gains at midday and the sharp decline in the last half-hour.

Broader market indices fared somewhat better with the Standard & Poor's 500 index slipping 0.76 to 307.53 and the New York Stock Exchange composite index losing 0.27 to 173.15. NYSE volume was 196.3m shares with the number of issues advancing outnumbering those declining by a margin of eight-to-seven.

Among the blue chips, American Express slipped $⅛ to $33⅝, AT&T was unchanged at $29¼, Boeing added $⅛ to $48, Coca-Cola fell $¼ to $43⅞, Eastman Kodak fell $⅝ to $86⅞, IBM was off $½ at $166¼ and McDonald's lost $⅜ to $54¼.

GTE, up $⅜ to $38⅞, and United Telecommunications, up $⅛ to $27⅞, said they would share equally a $350m second quarter write off by their US Sprint long-distance telecommunications joint venture.

Golden Nugget gained $⅝ to $13½ on more than 1.8m shares. Mr Donald Trump, the New York real estate developer, said he had a 4.9 per cent stake in the casino group and might seek control of it.

Teledyne fell $4¾ to $372¼. Speculation had mounted in recent days that it will benefit from reoganisations or takeovers of companies in which it has large minority stakes. These include Kidde, up $⅛ to $61⅞, Litton, off $2⅞ to $103½, Curtis-Wright, off $¾ to $66¾, and Reichhold Chemicals, down $⅝ at $63⅜.

Pay N'Pak Stores slipped $¼ to $20⅞. Mr Paul Bilzerian, a Florida raider, suffered a setback in his efforts to takeover the chain of home improvement stores. Morgan Stanley cancelled a 4.1m share block trade they executed for him on Wednesday which would have given him a majority of the company's equity. The investment dealer said it reversed the trade because it "raised significant legal questions under the tender offer rules."

Timberland Industries rose $2⅛ to $8⅞. It agreed to a $9 a share takeover by Weyerhaeuser, up $⅛ to $48¾.

Among companies reporting higher second quarter earnings, Dow Jones was unchanged at $51¼, Raytheon added $⅞ to $77¼, Rubbermaid slipped $¼ to $29⅞, Great Atlantic & Pacific Tea was unchanged at $40 and Abbott Laboratories fell $1 to $62⅞.

A highly divergent pattern of June sales emerged from department stores. Large jumps were reported by Wal-Mart, off $1⅛ to $66¾, Zayre, up $1¼ to $31, Dayton-Hudson, up $⅛ to $50, and Ames, ahead $1 to $24⅞. Poor performers included Sears, Roebuck, off $1 to $50⅛, J.C. Penney, down $⅛ to $54⅜, and Federated, down $¾ to $52⅞.

Conrail, ahead $⅜ to $33¼ and Computer Associates, up $⅝ to $24⅛, joined the Standard & Poor's 500 index yesterday.

Credit markets eased lower through the morning leaving the 8.75 per cent benchmark Treasury long bond off ²¹⁄₃₂ of a point at 102¹¹⁄₃₂ yielding 8.51 per cent. Shorter maturities fell somewhat less. T-bill rates climbed seven or eight basis points after falling sharply on Wednesday.

Bonds had weakened overnight abroad when the dollar was pushed below Y150 by persistent but unconfirmed rumours that central banks had been intervening to halt its rise.

Oil news had little effect on bonds. Reports said that a Liberain-flagged, US-owned tanker had been hit by Iranian gunboats in the Gulf and that Opec wanted to raise its $18 a barrel benchmark to $20 early next year.

CANADA

EARLY ADVANCES in Toronto tailed off by midsession after profit-taking and mixed signals from Wall Street. Gains were still good, leading the market towards its third consecutive record.

On the active list, Canadian Pacific dropped C$⅜ to C$27⅞ after gaining C$1⅛ in Wednesday's strong market.

SOUTH AFRICA

A FIRM bullion price pushed gold share prices in Johannesburg sharply higher amid good demand for selected issues. Vaal Reefs responded to market interest, rising R20 to R450.

Kloof followed the trend at a slower pace, adding R2 to close at R45. Elsburg edged up 85 cents to R10.90.

Industrials were generally firmer. Rembrandt Group gained R1.75 to R14.75 and Rembrandt Controlling added R1.45 to R14.25 on news of the group's purchase of Consolidated Gold's 10 per cent stake in Gold Fields of South Africa.

Gold Fields added R3.75, leading firmer mining financials, followed by Consolidated Gold, up R2 at R59.

Bombay surges as investors return

BY R. C. MURTHY IN BOMBAY

THE BOMBAY stock exchange, India's largest accounting for more than a third of the country's share trading, soared on Thursday as Government-owned investment institutions went on a buying spree in tandem with some individual investors who returned to the market for the first time in many months.

The BSE index of 30 shares jumped 20 to 481.24 on Thursday to register the largest rise in a rally that began a week ago. The sensitive BSE index had fallen by a quarter from the pre-budget peak of 578.81 on February 28 to the recent low of 415.51 on June 23.

Usually bearish operators have become distinctly bullish as the Indian economy recovered from what investors saw as political and economic uncertainties. The market has not responded to a stepped-up terrorist campaign in Punjab, which has resulted in the death of more than 80 people in the past three days.

Domestic political events, serious as they have seemed, were overshadowed by the announcement of an increase in aid late in June allaying market fears of a *slump in profits and a cut in dividends.*

Mr M.J. Pherwani, chairman of Unit Trust of India, says the worst is over and the markets are picking up again.

There are expectations of a further sharp rise in share values after July 13, when a new president, India's constitutional head, is elected. The Bombay Stock Exchange will then review the restrictions on short sales of 75 most actively traded shares.

This week trading hours have been increased to 1½ hours a day from one hour and full normality is expected to be restored by mid-July.

EUROPE

Frankfurt suffers setback amid spate of records

THERE WERE once again few common factors to trading in Europe yesterday as Brussels, Oslo and Madrid reached fresh record highs while Frankfurt and Amsterdam turned lower under the influence of the weaker dollar.

Brussels ran into profit-taking which trimmed some of the day's gains. Nevertheless, the stock exchange index pushed ahead to a new high of 5,050.76, a rise of 16.03.

Among the losers, Solvay fell BFr 75 to BFr 13,725 and Royale Belge BFr 50 to BFr 6,250 after recent hefty gains.

However, Société Générale de Belgique, at the centre of intense bid speculation, added a further BFr 10 to BFr 4,180 in active trading.

Tractebel gained BFr 50 to BFr 7,550 after victory in its joint bid with GBL for Contibel Holdings. GBL, however, eased BFr 50 to BFr 3,900.

Oslo edged to its third record running with a 1.58 gain in the all-share index to 341.01 in active trading. The oil index also reached a new peak with a 6.2 gain to 300.82 on continued reaction to higher North Sea oil prices.

Norsk Hydro led the advance with a NKr 7.50 rise to NKr 226 and shipping shares were firmer. But Norsk Data A slipped NKr 8.50 to NKr 230.

Madrid pushed up to a year's high with a 3.23 rise in the general index to 257.78, beating the previous record of 255.95 reached on February 23.

Gains were led by construction, metal and banking stocks and market leader Telefonica climbed 4.75 percentage points to 203.75 per cent of nominal market value.

Stockholm rose close to record levels, with the Veckans Affarer up 6 at 1,030.5 and the Affarsvariden General index adding 0.6 per cent to 828.7

Buying was boosted by market liquidity and a good forecast earlier this week for Swedish industry.

Carmaker Volvo continued its recent gains with a SKr 3 rise to SKr 327. Heavy engineering group Asea added SKr 4 to SKr 367 and Ericsson, the telecommunications group, edged up SKr 1 to SKr 255.

Frankfurt was depressed by the slight fall in the dollar as investors again feared for exporting companies. The Commerzbank index lost 14.8 to 1,888.9 in very quiet trading, with few foreign investors in evidence. A rise in the money supply figures also dampened sentiment.

Among banks, Deutsche Bank fell DM 8 to DM 641.50 and Dresdner DM 328.50.

News that incoming orders fell by 10 per cent in the first five months of the year depressed engineering stocks, with MAN losing DM 8.30 to DM 182.20 and Linde DM 7 to DM 729. Electronics stock Siemens eased DM 1 to DM 683.

Zurich was little changed to higher with selective interest in chemicals and engineering stocks. UBS finished SFr 25 higher at SFr 4,675 following news it was in talks with London merchant bank Hill Samuel with a view to a takeover.

Amsterdam also came under pressure from the weaker dollar.

In the publishing sector Wolters Samsom, which announced its formal bid for Kluwer, eased Fl 1 to Fl 125. Kluwer gained Fl 4.50 to Fl 422 and hostile bidder Elsevier added Fl 1.20 to Fl 58.

Paris moved lower on a pessimistic economic outlook from the national statistics institute. Newly privatised Société Générale started trading at FFr 432 compared with the flotation price of FFr 407.

Milan was mixed. Insurer Toro, which said it had acquired control of French insurance group Le Continent, eased L100 to L30,450.

London climbs

EQUITIES rebounded across the board in London yesterday, closing at new peaks as speculative was triggered in the financial sector by the disclosure that Union Bank of Switzerland was in talks with merchant bank Hill Samuel which could lead to a bid offer.

The FT-SE 100 index gained 14.1 to 2,371.0 and the FT Ordinary rose 18.9 to 1,846.1. Gilts had a lacklustre session, showing little change on the day. Details, Page 34

Paribas fixes its price

BY GEORGE GRAHAM IN PARIS

PARIBAS, the French banking group, yesterday fixed an aggressive price for its FFr 7.3bn ($1.2bn) capital increase: the first undertaken in France by a newly privatised company.

The company is issuing 7.5m shares, each carrying a warrant to subscribe to one further share, at a price of FFr 470 each. Paribas shares closed yesterday at FFr 462 down FFr 7 in a weak French market.

The warrants, exercisable up to the end of July 1989, carry the right to subscribe to shares at a price of FFr 500.

The issue, which opens on Monday in international markets and on Wednesday in France after the Bastille day holiday, gives priority to Paribas' 3.1m small shareholders, but is aimed mainly at placing more of the group's capital overseas.

Paribas said it may increase the size of the issue if so many of the existing shareholders subscribe that there is not enough paper to satisfy demand from overseas.

ASIA

Dollar helps lift Nikkei out of five-day slide

TOKYO

EASIER CONTROLS on margin trading and a record-breaking surge on Wall Street overnight took the key market index sharply higher for the first time in six sessions in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The halt in the yen's depreciation against the dollar also helped the market up, brokers said.

The Nikkei average soared 283.48 to finish at 23,755.90 after falling 80 in the morning. But volume stayed weak at 601m shares, down from Wednesday's 605m shares. Advances led declines by 577 to 310, with 150 issues unchanged.

Despite the rally, investors remained cautious about the market outlook as the broad-based rebound was largely due to small-lot buying amid scare selling, traders said. Institutional investors kept quiet, with the exception of a few investment trusts which bought high-technology stocks and large-capitals in small amounts.

One favourable fact was the Tokyo Stock Exchange's move, effective from yesterday, to discontinue collecting in cash a 20 per cent portion of the 70 per cent margin requirement. Moreover, the dollar eased back to below Y150 on the Tokyo foreign exchange market. These factors together contributed to easing concern over selling by non-residents.

Large-capital steels and shipbuilders were among the best performers: Nippon Steel, the busiest stock with 73.94m shares traded, firmed Y16 to Y324, Ishikawajima-Harima Heavy Industry, second with 28.86m shares, Y37 to Y862, Mitsubishi Heavy Industries Y16 to Y579, Kawasaki Steel Y13 to Y250 and Nippon Kokan Y15 to Y272.

The property sector also came into the spotlight, with Mitsubishi Estate increasing Y70 to Y2,700 and Mitsui Real Estate Y20 to Y2,860. Among contractors, Ohbayashi Corp added Y20 to Y1,020 and Daiwa House Y120 to Y2,330.

Financials came back almost across the board. Tokio Marine and Fire Insurance, the most active stock in this sector with volume of 5.28m shares, climbed Y60 to Y2,150. Sumitomo Bank gained Y200 to Y3,750 and Nomura Securities Y90 to Y4,350.

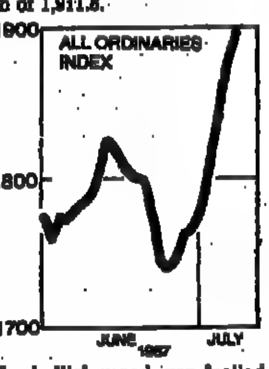
Bonds firmed in late trading aided by the dollar's slip below Y150. The yield on the benchmark 5.1 per cent government bond due in June 1996, after rising early to 4.355 per cent, sank from Wednesday's 4.275 per cent finish to 4.225 per cent on light buying by institutions in block trading on the TSE.

The yield later dropped further to 4.145 per cent in inter dealer trading.

THE SEOUL stock market climbed on upwards to another peak, its sixth running, as buying focused on constructions and financials. The composite index gained 4.49 to 441.01 for a rise of more than 29 points, or 7 per cent, in the past week. Some 80 of the 400 stocks traded made their daily limit gains.

AUSTRALIA

STRONG EARLY demand for Sydney shares lifted the All Ordinaries index to yet another peak, with a 15.3 rise to 1,898.6, although late profit-taking pulled it off the day's high of 1,911.8.



The bullish mood was fuelled by an early rise in stock index futures, a firmer gold price and more opinion polls pointing to a Labour victory in tomorrow's elections.

Properties were again in demand in heavy trading, with Lend Lease up a further 60 cents at A$16.60, a new high for the year.

Other popular industrials included FAI, up 20 at A$6.40, and Fairfax, also adding 20 to A$5.10. But News Corp succumbed to a 40 cent fall to A$20.40 after strong gains.

CSR, which declared its takeover offer for Monier free of all conditions in the latest twist in the battle for the building products group, eased 1 cent to A$4.04.

Golds and resources also attracted buying, with Nuigini Mining climbing A$2 to A$15.50.

SINGAPORE

FOREIGN investors entered the Singapore market in force late in the day, swelling turnover after a hesitant start and pushing the Straits Times industrial index sharply higher to another record close. The index rose 15.06 to 1,348.57.

As better economic and corporate news continued to find favour with both local and overseas investors, a number of blue chips made strong gains. New Straits Times added 45 cents to S$6.05, Singapore Land 85 to S$9 and Genting 30 to S$7.20.

Trading in Cold Storage shares was suspended as Wattie Industries, a New Zealand food processor, announced it had so far bought 17.11 per cent of the Singapore food products group and was aiming for majority control.

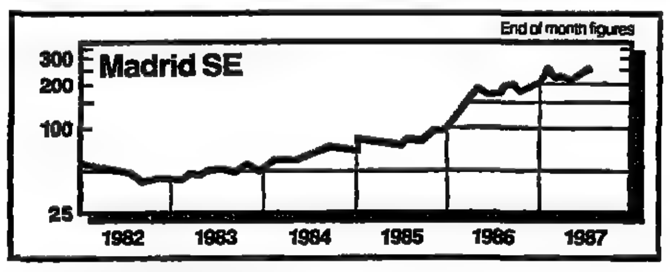
Multi Purpose saw 3.2m shares traded in speculative buying and added 6½ cents to S$1.02.

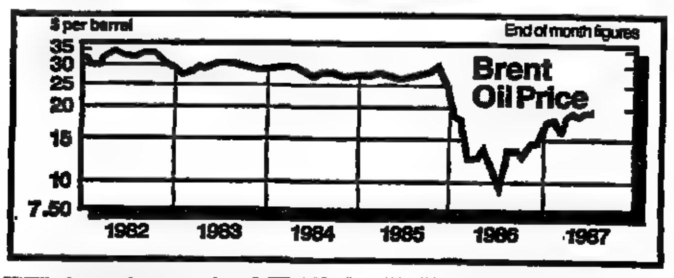
HONG KONG

SPECULATION about an imminent restructuring or rights issue by the Cheung Kong group sparked heavy trading in Hong Kong and a fall in share prices following Wednesday's record high.

The Hang Seng index fell 25.41 to 3,225.97 in turnover worth HK$1.45bn.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 9	Prev	Year ago
NEW YORK			
DJ Industrials	2,451.21	2,463.97	1,826.07
DJ Transport	1,031.61	1,032.93	750.00
DJ Utilities	205.90	206.24	199.00
S&P Comp.	307.53	308.29	242.82
LONDON FT			
Ord	1,846.1	1,827.2	1,340.6
SE 100	2,371.0	2,356.9	1,614.60
A All-share	1,199.06	1,323.30	805.63
A 500	1,329.51	1,191.17	883.79
Gold mines	402.1	391.8	203.6
A Long gilt	9.15	9.13	9.32
World Act. Ind (July 6)	127.90	128.24	91.76
TOKYO			
Nikkei	23,755.90	23,472.42	17,506.1
Tokyo SE	1,963.34	1,961.03	1,355.47
AUSTRALIA			
All Ord.	1,898.6	1,883.5	1,122.3
Metals & Mins.	1,184.6	1,165.6	494.5
AUSTRIA			
Credit Aktien	185.01	184.99	238.09
BELGIAN SE	5,050.70	5,034.79	3,706.30
CANADA			
Toronto			
Met & Mins.	3,105.2	3,085.7	1,999.0
Composite	3,932.5	3,969.9	3,013.1
Montreal			
Portfolio	1,992.55	1,997.41	1,518.61
DENMARK SE			
SE	204.76	205.68	213.63
FRANCE			
CAC Gen	420.30	421.80	368.2
Ind. Tendance	105.80	107.40	89.27
WEST GERMANY			
FAZ-Aktien	623.41	626.71	606.13
Commerzbank	1,888.90	1,903.70	1,827.9
HONG KONG Hang Seng	3,225.97	3,251.38	1,747.61
ITALY Banca Comm.	674.31	674.39	703.68
NETHERLANDS ANP CBS			
Gen	311.60	313.80	290.3
Ind	263.20	265.60	289.1
NORWAY Oslo SE	445.27	443.61	349.42
SINGAPORE Straits Times	1,349.50	1,333.44	722.61
SOUTH AFRICA JSE			
Golds	–	2,077.0	1,239.5
Industrials	–	1,969.0	1,195.0
SPAIN Madrid SE	257.78	254.55	174.42
SWEDEN J & P	2,808.50	2,781.80	2,462.58
SWITZERLAND Swiss Bank Ind	626.00	622.10	545.3

COMMODITIES (London)

	July 9	Prev
Silver (spot fixing)	471.45p	445.45p
Copper (cash)	£1,033.50	£1,042.00
Coffee (September)	£1,201.50	£1,225.00
Oil (Brent Blend)	$19.65	$19.45

GOLD ($/oz)

	July 9	Prev
London	$445.00	$446.50
Zürich	$447.00	$446.55
Paris (fixing)	n/a	$440.13
Luxembourg	$445.50	$442.60
New York (August)	$446.80	$448.80

CURRENCIES (London)

	US DOLLAR July 9	US DOLLAR Previous	STERLING July 9	STERLING Previous
$	–	–	1.6180	1.6180
DM	1.8380	1.8415	2.9750	2.98
Yen	149.90	150.55	242.5	243.5
FFr	6.1275	6.135	9.9150	9.9275
SFr	1.5340	1.5335	2.4825	2.4825
Fl	2.0700	2.0740	3.3500	3.3550
Lira	1,331	1,331	2,153.5	2,153.5
BFr	38.05	38.15	61.55	61.75
C$	1.3230	1.3245	2.1410	2.1425

INTEREST RATES

	July 9	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9⅝
SFr	3¾	3¾
DM	3⅞	3⅞
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	7	7
6-month US$	7	7⅛
US Fed Funds	6⅝*	6½
US3-month CDs	6.60*	6.60
US3-month T-bills	5.585*	5.58

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 9				
(Sept)	92-00	92-07	91-20	92-08
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.12	94.14	94.08	94.14
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	–	–	–	–
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.78	92.80	92.75	92.78
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	123-19	123-27	123-12	123-24

US BONDS

Treasury

	July 9 Price	July 9 Yield	Prev Price	Prev Yield
7⅝ 1989	100⅝	7.32	100⅝	7.321
7 1994	99	8.18	99	8.123
8½ 1997	101	8.34	101	8.30
8¾ 2017	102²⁷⁄₃₂	8.50	103¹⁄₃₂	8.440

Source: Harris Trust Savings Bank

Treasury Index

July 9

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1–3	144.03	+0.07	6.37	−0.03
3–5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	July 9 Price	July 9 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.29	6.40	93.16	6.45
SCBT South Central 10½ Jan 1993	102.75	10.22	103.0	10.16
Phibro Sal 8 April 1996	93.14	9.30	92.61	9.25
TRW 8⅞ March 1996	96.76	9.30	97.34	9.20
Arco 9⅞ March 2016	101.56	9.60	103.14	9.55
General Motors 8⅝ April 2016	85.65	9.60	86.08	9.55
Citicorp 9⅝ March 2016	93.22	10.10	93.67	10.05

Source: Salomon Brothers

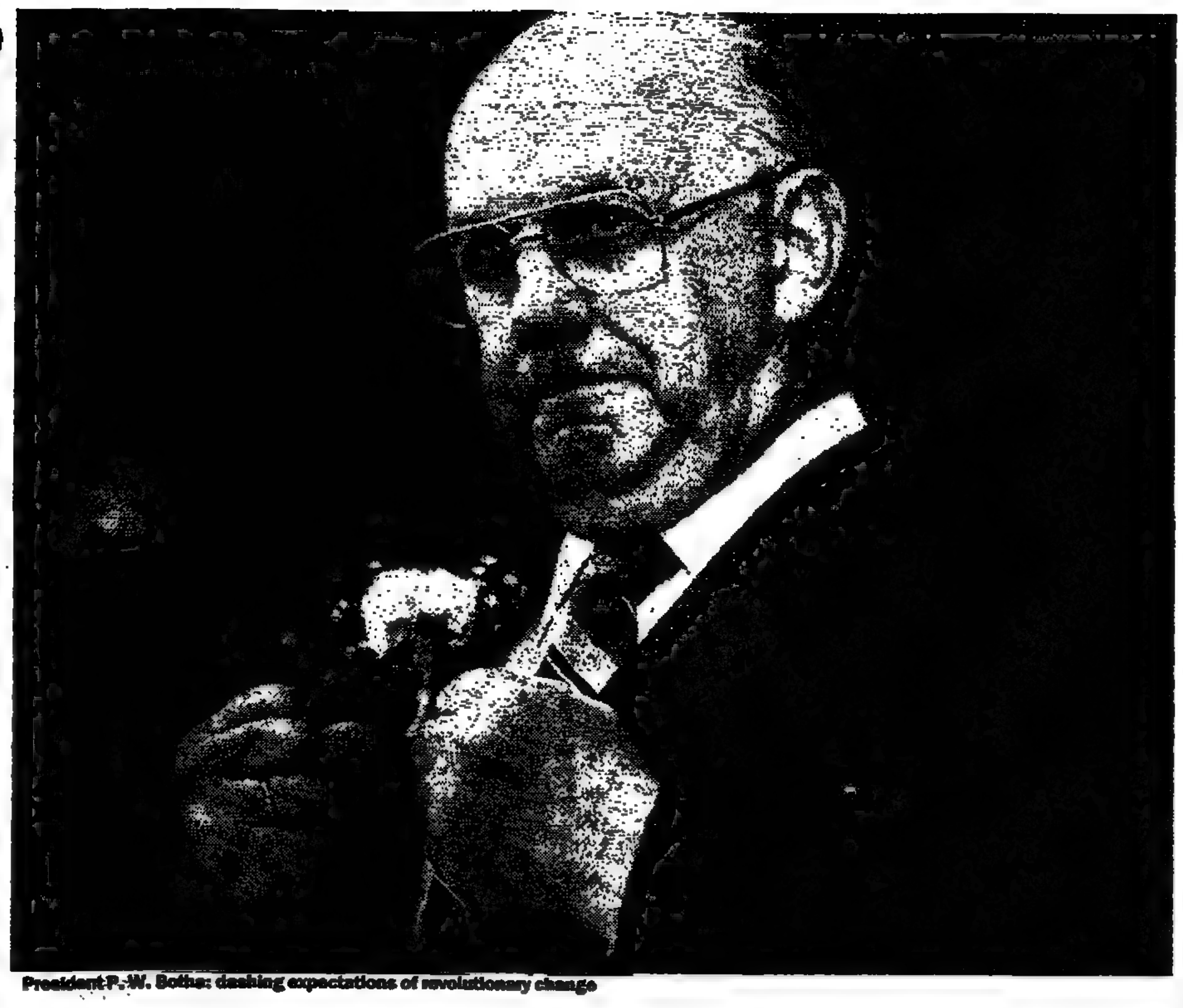
* Latest available figures

SECTION III

FINANCIAL TIMES

SURVEY

Repression of black resistance to apartheid has lowered South Africa's temperature, but the problems remain. Re-elected President Botha pledges "reform yes, surrender no". Black opposition has gone underground while Pretoria tries to co-opt those it considers moderate, writes **Anthony Robinson.**



President P. W. Botha: dashing expectations of revolutionary change

South Africa

CONTENTS

Preparing for the long haul

SOUTH AFRICA has entered its second year under a state of emergency calmer than at any time since riots against the new constitution in August 1984 sparked off violent black protest.

Fear, or at least caution, has triumphed over anger. Unrealistic black expectations of imminent revolutionary change have been dashed.

The white minority which controls the political, security and economic power of the South African state has re-established its authority and much of its confidence. Even the economy is looking in better shape. Despite the exodus of foreign companies, sanctions and the freeze on new loans, the economy should grow by at least 3 per cent this year and next.

The last three years have left their mark, however. South Africa is a sadder but perhaps wiser place. There are no illusions that the struggle for power is over. At best the emergency and tough security force action has created a truce — a breathing space in which both sides can prepare for the long haul.

For the National Party Government, returned to power at the May 6 whites-only elections, restoration of "order" is seen as a vital pre-requisite for pushing ahead with socio-economic reforms. These are aimed at improving physical conditions in the townships and encouraging the emergence of a property-owning black middle and business class with a stake in the system.

For black "radicals," mourning more than 2,500 victims of violence, repression and internecine political feuding, the task is to re-build "alternative structures" and organisations in the townships, schools, universities and trade unions.

It will be an uphill task under the vigilant eye of the security forces, the hastily trained and recruited township police and conservative vigilantes. Although most of the 30,000 or so detainees held for various periods have now been released, around 2,000 of those whom the authorities consider "revolutionaries" are still in detention.

Externally, the exiled leadership of the African National Congress (ANC) is also under pressure to review its tactics and strategy in view of the gap between its revolutionary rhetoric and the reality of white state power inside the country.

Ironically, the main boost to the prestige of the ANC, Africa's oldest and most frustrated nationalist movement, came from President P. W. Botha himself, who made it the central theme of his election campaign. Five weeks after the elections he justified re-imposition of the state of emergency on June 11 by the continuing strength of the underlying "revolutionary climate." He also declared war on the current ANC leadership, which he believes is dominated and manipulated by the South African Communist Party.

Mr Botha won the election by playing on the fears of the white electorate. The National Party won 123 of the 166 elected seats in the House of Assembly, thanks partly to a large swing of nervous English speakers into the Nationalist camp.

But the right wing Conservative Party (CP), and the now insignificant Herstigte Nasionale Party (HNP), gained nearly 30 per cent of the vote. It was enough to make the CP the new official opposition, with 23 seats to the 19 won by the chastened "liberal" Progressive Federal Party (PFP).

What is more, the CP is breathing down the necks of the NP in dozens of marginal seats. This leads political analysts to surmise that the government will delay the next elections well beyond the present mid-1989 constitutional timetable. It needs a simple majority in all three houses to do so.

Viewed optimistically, the elections showed that 70 per cent of white South African voters reject, with varying degrees of conviction, the old-style apartheid policies brought to a fine art under Dr Hendrik Verwoerd in the 1960s. The most interesting and passionate revisionists are the middle-aged Afrikaner clerics and academics. They have rejected both the biblical basis of "separate development" and the National Party itself as a credible vehicle for anything more radical than the modernisation of apartheid.

The soul searching and inner turmoil beneath the crusty surface of Afrikanerdom is best seen in the strong support given to the three independent candidates in the election and the interest in non-racial solutions, especially among younger middle class Afrikaners.

At the other end of the spectrum, 30 per cent of the white electorate opted for what might be called the Rip Van Winkle option proposed by the CP. Its neo-Verwoerdian vision is based on partition into 13 separate ethnic states. The biggest and richest would be white. The only blacks in this white country, tentatively named "Southland," would be millions of "foreign" contract labourers without political, trade union or other rights.

Government critics like Mrs Helen Suzman, the PFP law and order spokesperson, say South Africa is subject to a "creeping coup d'etat".

Her former leader, Dr Frederik Van Zyl Slabbert, defines the political strugggle as a contest between an extra-parliamentary government, ruling through a network of non-elected, security force dominated technocratic management committees, and an extra-parliamentary opposition.

Meanwhile, many in the outside world interpret the strengthening of executive government and the emergency restrictions as marking a shift away from "reform". This is emphatically denied by a government which feels it has not received enough recognition for the abolition of influx control, legalisation of black trade unions, and recognition of the permanent status of blacks in "white" South Africa, or its commitment to equalising educational standards within a decade, acceptance of rapid black urbanisation, and a long list of other socio-economic reforms backed up by real spending shifts.

Critics respond that apartheid has merely been trimmed back and modernised. What remains, they say, is the core essence of "separate development" — the population registration, group areas and separate amenities acts — and those monuments to Dr Verwoerd's concept of "grand apartheid," the 10 ethnically-defined black homelands. Four are nominally independent states and a fifth, Kwandebele, is being pushed in that direction.

The government may modify aspects of these bedrocks but not the substance.

The President has made clear that under his leadership constitutional change will remain firmly wedded to "group", meaning ethnic, politics. Pretoria's ideal is to arrive at a form of power sharing between elected white, coloured, Asian and black leaders at local, regional and ultimately national level, which will not lead "to the domination of one group by another." In plain English this mean a solution which allows every group to have their say at all levels — but ultimately leaves the whites in control.

The latest exercise in group based power sharing came into operation this month when the first Regional Service Councils (RSCs) make their debut. Bitterly criticised by business, which will finance them through new levies, the RSCs are seen by government planners as instruments for channeling resources from rich white local authorities to their poor black neighbours.

It remains to be seen how effective they will be. Thus far "power sharing" has proved an elusive goal. The problem in the perceptive words of Sir Laurens van der Post is that the Government "offers blacks terms they can't accept without losing the authority they have over their people."

That applies not only to "radicals" like the ANC and the anti-apartheid United Democratic Front (UDF) but also to powerful "moderate" black leaders like Zulu Chief Mangosuthu (Gatsha) Buthelezi. One of the tests of the Government's commitment to power sharing will be its future attitude towards proposals for multi-racial government in Natal Province drawn up by the so-called Natal Indaba.

The need to offer black leaders options sellable to their followers was underlined by a black mayor, Mr Esau Mahlatsi, in his speech bestowing the freedom of six black townships south east of Johannesburg on President Botha last month.

He called on the President to abandon his proposed "national statutory council" — rejected by blacks as a toothless advisory body — and change his opposition to black participation in Parliament. Blacks, said the mayor, would only be satisfied with equal participation in a central parliament with whites.

The bottom line message to the Government was stop wasting your time looking for black stooges.

But the last three years have shown there are no "quick fixes". The race between the tortoise of reform and the hare of revolution is essentially a struggle for black hearts and minds. It is a struggle which will continue to be fought at all levels of a complex society in the midst of profound and confused transformation.

An analysis of the complexity of black political thought

Tough action fails to stamp out the embers of revolt

THE HEADY, intoxicating months—when thousands of black people throughout the country boycotted schools, staged mass work stayaways and consumer boycotts, set up "alternative structures" of street committees and peoples courts and dreamt of liberation around the corner—are over, for the time being at least.

So are the constant funerals where thousands of mourners gathered week after week in dusty township cemeteries to bury the victims of security force repression or the horrific "necklace". This form of execution by burning rubber tyre has been suffered by hundreds of alleged black "sellouts" and the victims of internecine fighting between rival political groups.

After being initially caught off balance in August 1984 by violent opposition to the new tri-cameral constitution, which excluded blacks from parliament and caused deep divisions in the coloured and Asian communities, the combined forces of Africa's most powerful army, a rapidly growing police force and an experienced, vigilant security branch have restored "order".

Under cover of emergency powers, which include tight restrictions on media coverage of security force actions, an estimated 30,000 people have been detained. Most have subsequently been released. But around 2,000 of those whom Pretoria regards as dangerous revolutionaries, or suspects of having committed serious crimes, were re-detained when the emergency was re-introduced for another 12 month period on June 11.

Hundreds more, however, have been tried or face trial for crimes like treason, arson and murder connected with the 30 months of what is officially and euphemistically called "unrest". They face the death sentence or at least long periods of imprisonment.

The historic leaders of the banned African National Congress (ANC) like Mr Nelson Mandela, Mr Govan Mbeki and Mr Walter Sisulu also still languish in prison where they have been for the last 25 years—one-third of the lifetime of the ANC, Africa's oldest and most frustrated liberation movement which celebrated its 75th anniversary this year.

Its functioning leaders operate from exile out of their Lusaka headquarters. They have achieved considerable diplomatic success, highlighted by meetings between Mr Oliver Tambo, the ANC President, and senior western leaders like Mr George Shultz, the US Secretary of State, and Sir Geoffrey Howe, the British Foreign Secretary.

But the ANC has failed to achieve its stated aim of making the townships ungovernable and has been thwarted in its plan to infiltrate armed cadres into the townships by the army's interdiction of infiltration routes and the bombing of alleged base facilities in the neighbouring frontline states.

Its credentials as a possible alternative government have also come under closer scrutiny by western governments, including a US congressional inquiry into what the South African Government claims is heavy infiltration by the South African Communist Party.

Having failed to engineer an internal split between what it sees as the old-style Nationalist and the Communist wings of the ANC, the South African Government, in the words of President P. W. Botha has declared war on it, or at least its leaders. "We will not talk with such people, we will fight them," Mr Botha said when justifying reimposition of the emergency on June 11 this year by the continuing "revolutionary climate".

The Government's admission that the embers at least of revolt have not been extinguished but lie awaiting the next opportunity seems realistic. After nearly three years of violence, danger and disruption to their ordinary lives, the restoration of a form of order has come as a relief to millions of ordinary blacks. But for thousands of black radicals the experience of the last three years appears to have increased their resolve and driven them to continue the struggle underground.

The Government believes that most blacks are fundamentally conservative people who can be co-opted into the system. It has finally come round to the view that decades of appalling and deliberate neglect of black housing, education and other facilities in the teeming townships and rural areas constitute legitimate grievances which must be redressed.

Huge sums have been earmarked for township roads, sewers, electrification and education. Thus far, painfully slow and creaking mechanisms are being set up to generate an exponential increase in black house building and black house ownership. The favoured targets for such spending are townships like Alexandra, Kagiso, Duduza, and Sebokeng on the reef, and the poverty-stricken but politically militant townships in the Eastern Cape where resistance was strongest and the alternative leadership structures best organised and supported.

In some smaller townships, and those like Alexandra which are subjected to the most intensive security force search-and-destroy operations, alternative structures and the "comrades" who ran them have all but disappeared from sight. But scratch a little below the surface and the skeletal organisations, often in the hands of teenagers or those who are little older, briefly re-emerge.

The United Democratic Front (UDF), whose 650 or so affiliate organisations helped give the latest round of insurrection a nationwide structure that was absent from previous outbreaks, remain in operation. Although it has not been formally banned, many of its affiliates have and the Government has also cut off access to foreign funds by declaring it an "affected organisation."

It now operates to all intents and purposes as a clandestine organisation. Its leaders emerge briefly to make statements or brief the press and then disappear to escape the fate of the front rank leaders who have been detained or are on trial for treason and other crimes under South Africa's draconian security laws.

New organisations, like the recently launched South African Youth Congress (SAYC), have sprung up to replace banned affiliates like the Congress of South African Students (COSAS) which was proscribed in 1985.

It remains to be seen how many of those detained in recent months and now released will return to the struggle—and with what degree of anger and determination in their hearts. Not only detainees but also many of the young white conscripts drafted for township duties carry possibly long-term psychological scars.

The complex skein of black political thought, action and inter-action goes way beyond protest politics and radical action groups. The trade unions also play a major role in articulating black aspirations. Although the ANC, with its, vision of a non-racial future, appears to receive the passive support of most blacks, its vision is still contrasted by supporters of the black consciousness tradition of the Pan Africanist Congress (PAC) and the Zulu-dominated Inkatha movement led by Chief Mangosuthu (Gatsha) Buthelezi.

Chief Buthelezi is strongly opposed to disinvestment, is a convinced supporter of the private enterprise system and attacks the exiled leadership of the ANC for its un-mandated and unrealistic theoretical attachment to the overthrow of the white Government by force. This ideological rivalry is reflected on the ground by a power struggle with UDF supporters and bloody clashes between Inkatha and the UDF, especially in the townships around Durban.

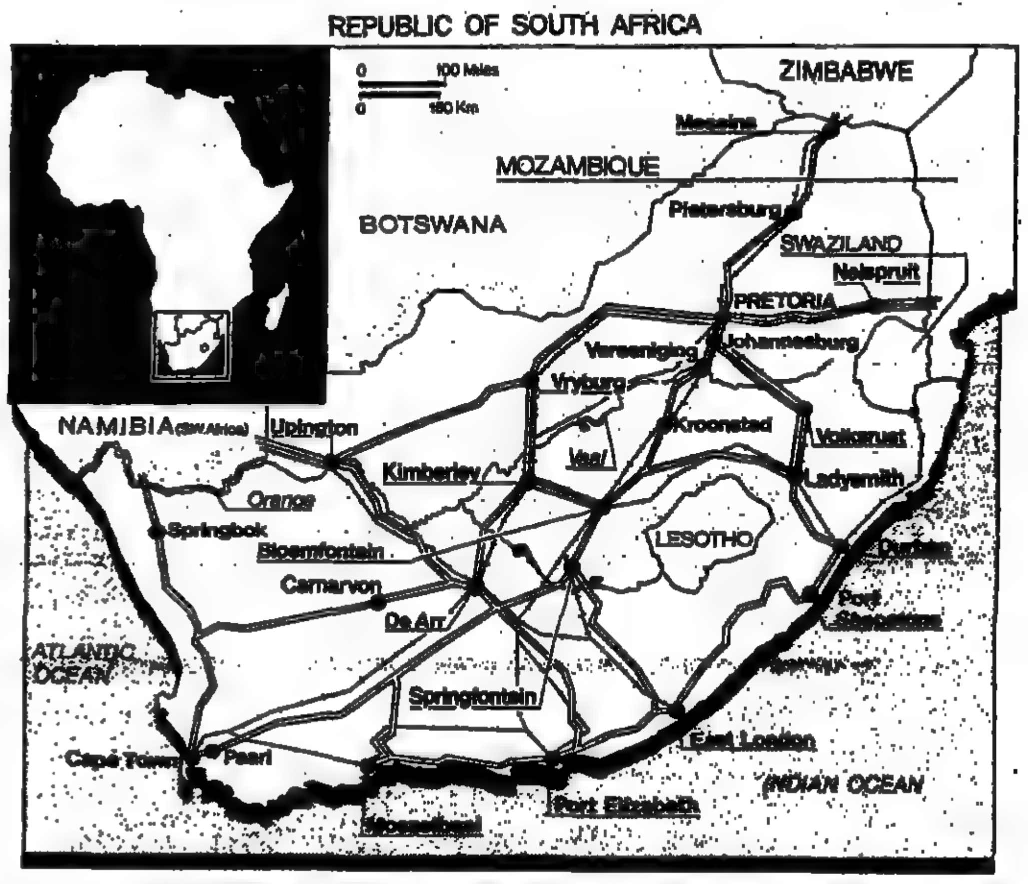
Anthony Robinson

Women line the entrance to Guguletu stadium in honour of the seven ANC cadres shot in an alleged attack on a police station

African National Congress

Striving to keep world opinion on its side

REPUBLIC OF SOUTH AFRICA



"THIS IS RADIO FREEDOM," says the announcer after an introductory burst of machine-gun fire and a battle chant. "The voice of the African National Congress, South Africa's time-tested revolutionary movement, born of the people into the front line to spearhead the people's struggle for the seizure of power from the oppressors."

The slogans marking the start of ANC broadcasts are familiar to the guerrillas working underground in South Africa and to the black radicals—the "comrades" or the "young lions"—listening on their radio-cassettes in the townships. They are less well known to the ANC's American and West European interlocutors, who are usually presented with respectably grey-haired political exiles calling for multi-party democracy and the abolition of apartheid.

Africa's oldest liberation movement, founded in 1912—before the white National Party of President P. W. Botha—is fighting for the hearts and minds of two extraordinarily different groups of people.

On the one hand are the young South African blacks who have spearheaded the current uprising against white minority rule and who espouse almost anything which promises an end to apartheid, including violence and communism. On the other hand are the nervous but still powerful whites of South Africa, and the conservative western governments. They remain suspicious of the ANC's alliance with the pro-Moscow South African Communist Party (SACP) and continue to hope for peaceful change rather than violence.

The demands of the two sides are difficult, if not impossible, to reconcile.

In its early years the ANC, originally called the South African Native National Congress, did indeed try to champion the black cause through peaceful means. But after five decades of fruitless efforts it was outlawed in 1960 and turned to violence a year later with the formation of Umkhonto we Sizwe, "the spear of the nation."

Since then the military wing of the ANC has been one of the world's least effective guerrilla organisations, but the ANC as a whole remains overwhelmingly popular among South African blacks. Mourners at the political funerals of riot victims chant the praises of Mr Nelson Mandela (the jailed ANC leader), Mr Oliver Tambo (who heads the organisation in exile), and Mr Joe Slovo (the general secretary of the SACP and the only white on the ANC's 30-member National Executive Committee.

"There is a large element of spontaneous anger in South Africa," says one member of the executive at the ANC's cramped headquarters in a back alley of the Zambian capital Lusaka. "The ANC must not relax the process of organising that anger—politically and militarily." It is unrealistic, he believes, to talk of a peaceful solution when there is already so much violence. "All you can talk of is a less violent solution."

Following the shift to the right in South Africa's whites-only general election in May, Mr Tambo and other ANC leaders have called for a massive internal revolt and pledged to step up the armed struggle. An estimated 10,000 guerrillas have been trained in eastern bloc and African countries since Umkhonto we Sizwe was formed, but only a fraction of that number are operating inside South Africa. Many have been killed or captured: others are waiting in camps in Tanzania and Angola.

Tactics are changing. At first the ANC confined itself to sabotage. Now it sees legitimate targets in black collaborators, members of the security forces and the well-armed white farmers who help the military in remote border regions used as infiltration routes by the ANC.

The ANC flag heads a funeral procession

Some ANC guerrillas, apparently in contravention of orders, have blown up innocent civilians, black and white, and many young radicals question why any whites should be spared, particularly when all the men undergo military training as conscripts.

"The more we come to grips with the South African Defence Force and the South African Police in our military action, the more you have white homes in mourning," says one ANC tactician. "This affects a whole group of people. It now becomes a reality in their lives that 'our sons are dying.'"

It is true that the capacity of the white community to absorb heavy casualties is limited, but the ANC's military machine has a long way to go before it can make its presence felt in the everyday life of Johannesburg's affluent white suburbs. That is exactly what the ANC aims to do now with attacks in white areas, at the same time as spreading violence from the cities to the black homelands and other rural districts in order to generalise the conflict and disperse the Government's forces.

Inside the townships, the ANC wants to strengthen its grip on the uprising which began almost spontaneously in 1984 and which has been all but crushed by mass detentions and the Government's state of emergency, and to consolidate its links with sympathetic trade unions and legal political organisations such as the United Democratic Front (UDF).

Perhaps the most difficult task for the ANC over the next few years will be to keep the fickle attention of world opinion focused on South Africa and the ANC's demand for comprehensive economic sanctions. Without a daily dose of television pictures of police brutality and revolutionary violence—such coverage has been prohibited by the emergency—there are already signs of slackening interest in western capitals.

The ANC has nevertheless had a good run. Its international standing has risen dramatically, and Mr Tambo has in the last year had meetings with US Secretary of State George Shultz and British Foreign Secretary Sir Geoffrey Howe. Businessmen, church leaders and students have flocked from South Africa to Zambia to consult the ANC on the future.

"What will you do if you take over?" is the question usually asked of the ANC. The answers are based on the 1955 freedom charter, a document long on ideals ("rent and prices shall be lowered, food plentiful and no one shall go hungry," it declares) but short on suggestions as to how they will be achieved. To supplement this the ANC is preparing a consultative paper laying out the foundations for a possible constitution.

The ANC says it wants a non-racial multi-party democracy. There will be some nationalisations when it takes over (it assumes it will win an election), but a mixed economy is the goal. It is prepared to negotiate with President P. W. Botha for the transfer of power to the black majority, but not for anything less. In the meantime it will fight.

Victor Mallet

Trade unions

Sharp rise in number of strikes

TIMES ARE HARD and getting harder for South Africa's black trade unions. In the absence of formal political rights for blacks, the unions have come to articulate the political as well as economic aspirations of a government determined to break what it sees as "unrealistic expectations" and force the unions back into narrowly-defined channels of wage bargaining and workplace issues.

At the same time, the union movement is being forced to clarify its views on the politically fraught issue of disinvestment by foreign companies. Disinvestment has not increased pressure on Pretoria to abolish apartheid, as originally expected, and has benefited white South African business, the buyers of cheap foreign-owned assets, rather than black workers or budding entrepreneurs.

This has forced the unions to re-think their position and a major debate on disinvestment is expected to dominate proceedings at the annual conference of the Congress of South African Trade Unions (Cosatu) to be held at Witwatersrand University in mid-July.

Hundreds of union officials were included in the successive waves of detentions without trial which have filled the jails during the state of emergency. Most have since been released, partly because of protests from managements worried about the disruption to labour relations.

Pressure on the unions continues, however, and they are expected to lose some of the financial and other support from the international trade union movement as part of the Government's general crack-down on foreign funding.

On May 1 the Government banned all May Day rallies and demonstrations. This move partially rebounded a week later when at least half a million workers stayed away for two days in protest against the May 6 whites-only election. On the day after the elections, a powerful bomb exploded in the basement of Cosatu House in Johannesburg, forcing the evacuation of affiliated unions which had their offices there.

Since then, Cosatu unions, including the powerful National Union of Mineworkers (NUM), have been operating out of temporary accommodation, in most cases without telephones, scattered throughout the city.

Cosatu, which is aligned with the United Democratic Front (UDF) the anti-apartheid umbrella organisation, but has no formal links with it, has emerged as the major force in the black trade union movement.

Mr Jay Naidoo, General Secretary of the Confederation of South African Trade Unions

Unity remains elusive, though. In May last year, Zulu Chief Gatsha Buthelezi, a fierce critic of both Cosatu and the UDF, as well as a strong opponent of disinvestment, launched the United Workers Union of South Africa (UWUSA) at a May Day rally in Durban. It claims over 130,000 members and is a significant factor in the Natal coal mines and the industrial areas of the province but has little influence elsewhere.

Other significant developments over the past year have been the merger between the two black consciousness-orientated federations—the Council of Unions (Cusa) and the Azanian Confederation of Trade Unions (Azactu)—in October 1986, and the demise of the last, old-style, non-racial federation, the Trades Union Congress of South Africa (Tucsa).

Perhaps the most significant development on the white union front was the election to Parliament on the right-wing Conservative Party ticket of Mr Arrie Paulus, the white miners' union leader. He will now be in a position to carry on his rear-guard action from the opposition benches against the long-promised removal of racial job reservation in the mines.

The last three years of violent protest and emergency conditions have seen a sharp rise both in the number and duration of strikes. Last year official statistics issued by the Department of Manpower indicated 643 strikes and 150 "work stoppages" involving 323,000, mainly black workers, and the loss of 1.16m man days. Over 40 per cent of work days lost were registered by the mining industry alone.

Traditionally most South African strikes have been of short duration, and even last year most strikes were settled within three days.

The first six months of this year, however, were marked by two of the longest and most bitter strikes in South African labour history: the 10-week-long OK Bazaars strike and the three-month-long strike by 18,000 railway workers employed by the state owned South African Transport Services (Sats).

Both strikes were finally settled after lengthy negotiations by lawyers acting for the respective parties, and both were widely viewed as "victories" for the unions.

The longer term result of the Sats strike is expected to be a fundamental change in labour relations inside Sats and the extension of the Wiehahn reforms to the public sectors, including so-called strategic industries.

Already Mr Jay Naidoo, Cosatu's general secretary, reports that thousands of black workers in the public sector, including hospital and health workers, are applying to join Cosatu unions as a result of the Sats strike outcome.

Cosatu, the largest union federation, which was formed in December 1985 with 450,000 affiliate members, has since grown to 750,000 members in 23 affiliates. The number should be reduced to 12 by its second congress in July. The reduction in numbers reflects the progress towards re-structuring the black trade union movement into fewer, larger unions on the principle of one industry, one union.

A major step forward in this direction took place in May with the merger of seven Cosatu affiliate unions in the auto, metalworking and engineering industries into the 130,000-strong National Union of Metalworkers (NUMSA). It has become the second largest union after the 390,000-strong National Union of Mineworkers (NUM).

This year, with growth expected to reach 3 per cent and most companies reporting substantially higher profits, the unions are pressing for above inflation rises. Cosatu is co-ordinating action through its "living wage" campaign, which includes a R4 per hour minimum wage demand.

The danger is that higher minimum wages and greater labour rigidity, coupled with relatively low investment and low productivity, could further reduce job opportunities in the formal sector. This was pointed out by the recent president's council economic advisory committee report on unemployment.

Already over the past five years some 140,000 jobs have been lost in manufacturing, 280,000 in agriculture and 75,000 in construction. Even the mining industry, which up to now has bucked the trend, thanks to massive investment in new mines, is finding that higher wage costs are making it imperative to spend more on labour-saving mechanisation.

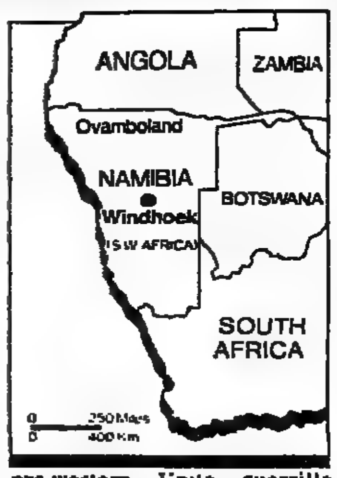
The emerging pattern seems to be that of a smaller, but better paid and union-protected labour force in the formal, first world sector of the economy, and a growing army of unemployed. Present unemployment is estimated at 3.3m of the 12m potentially active labour force. By the year 2,000 this could rise to 5.8m unless millions of new jobs are created in the informal, non-unionised sector, through de-regulation, privatisation, and self-employment.

Anthony Robinson

Namibia

International chess

IN HIS OFFICE at the Tintenpalast, the imposing reminder in Windhoek of Namibia's German past, Mr Andreas Shipanga eloquently argues the case of the territory's multiracial administration in which he serves as Minister of Commerce, Mining and Tourism.



Mr Shipanga was once a senior member of the South West Africa People's Organisation (Swapo), the nationalist movement waging a guerrilla war of independence, but ran foul of its leadership. After his release from detention in Tanzania he eventually returned to Namibia to head a break-away party, which is today a member of the so-called "government of national unity" established under South Africa's auspices in July 1985.

Most of the pillars of apartheid in Namibia (South West Africa) have been knocked away, says Mr Shipanga: pass laws abolished, racial discrimination ended, residential areas desegregated, hospitals opened to all races (although de facto segregation by ward continues, he acknowledges).

A 62-member national assembly, drawn from six political organisations ranging from the all-white National Party (which shares many of the values of its counterpart in South Africa) to parties calling for majority rule, enjoys a considerable degree of local authority.

Yet the stalemate in efforts to secure an internationally-acceptable independence for Namibia, and end a 20-year guerrilla war, is as entrenched as ever. The South Africa Government, the ultimate authority for the territory in defiance of the United Nations and represented in Namibia by an administrator-general, Mr Louis Pienaar, seems committed to a constitutional formula at odds with what Mr Shipanga, Swapo and the UN advocate.

Although Pretoria's thoughts are couched in the code-word vocabulary of South African politics, it is apparently seeking a formula which would ensure that the territory's 100,000 whites (a little under 10 per cent of the population) retain not only a dominant influence in government but have control of their "own affairs".

On the military front, Namibia's future remains linked to developments in neighbouring Angola, the vital base for guerrillas of Mr Sam Nujoma's Swapo and itself gripped by a stalemate of a different sort.

South Africa is backing the pro-western Unita guerrilla movement, led by Dr Jonas Savimbi, in its battle against the Soviet-backed MPLA Government of President Eduardo dos Santos, itself supported by a Cuban military force variously estimated at between 25,000 and 35,000-strong.

South Africa, with encouragement and endorsement from Washington, has insisted that any move towards Namibian independence be conditional on, and accompanied by, the withdrawal of the Cubans.

This "linkage," as it has become known, does not win the unanimous backing of the local administration in Windhoek. But they were reminded of the condition in no uncertain terms by Mr Pienaar earlier this year when he opened the national assembly: "There can be no independence without a firm and satisfactory agreement on the withdrawal of the Cuban forces from Angola. Until such time, the interests of the South African Government will have to be respected."

South Africa's massive military presence in northern Namibia (increasingly supplemented by the locally-recruited South West African Territorial Force) thus serves a two-fold purpose: it holds the line against incursions by Swapo, whose guerrillas present no substantial challenge to Pretoria's control of the territory, and it provides logistical and material assistance to Unita.

The cost to South Africa is enormous—an estimated $1.5m a day. But there is little evidence that Pretoria is prepared to reassess its strategy given the wider issues at stake in the region. And in terms of South African domestic politics, where President P. W. Botha faces a strong right wing challenge, it would seem an unlikely time to change the status quo.

"Namibia and its inhabitants have become trapped in a multi-dimensional game of international chess," observes Mr Sean Cleary, a former senior South African official, once on the administrator-general's staff and who remains based in Windhoek as a consultant.

On this chessboard, Namibia's political parties appear as little more than pawns. Most observers agree that Swapo—drawing heavily for its support from Ovamboland—at the heart of the war and representing about half the population, would in all likelihood win a majority of the seats at stake in independently-supervised elections.

But with its guerrilla force struggling against formidable opponents, its military prospects of victory are forlorn and the diplomatic avenue to power remains closed. Prospects for the internal parties attaining real power are as bleak, although in the short term, at least, their leaders enjoy the benefits of South Africa's willingness to allow a severely-circumscribed local authority.

They are subject to Pretoria's veto on any independence constitution they draw up—a process now under way. One set of proposals, due to be published this month, provides for what might be termed a majority rule system based on proportional representation and providing for minority rights. The other, drawn up by the local National Party, is close to embodying Pretoria's concept of what is suitable for Namibia.

It is improbable that the former will win support from Pretoria. As for the international community, it is likely to point out that all parties to the dispute have agreed, in principle at least, to the independence plan first set out nine years ago at the United Nations and known as Resolution 435.

It need not be treated as "a holy cow," as one of its architects has acknowledged. But the western powers and the African front line states would require clear and unequivocal evidence that Pretoria was prepared to surrender its control of Namibia before allowing Resolution 435 to unravel.

The Windhoek Administration, tied economically to South Africa and sheltering under its security umbrella, cannot declare independence unilaterally—a pipedream which sometimes enlivens political debate in Windhoek.

Michael Holman

Profile : Mr Van Zyl Slabbert

Cogent analyst

Mr Van Zyl Slabbert

THE AFRIKANERS have produced a long line of rebels against their community's political values, ranging from politicians to poets.

The list includes Bram Fischer, a distinguished lawyer and Communist Party member with an impeccable Afrikaner pedigree, jailed in the 1960s for sedition, Beyers Naude, a leading churchman, and Breyten Breytenbach, a contemporary poet whose work is revered by his fellow Afrikaners and who was jailed under the Terrorism Act.

Afrikaners sometimes seem to take a rueful and puzzled pride in the very quality of the tribal renegades they produce. The latest in the line is a man whom many see as perhaps the only politician who can muster the respect of black and white South Africans, English and Afrikaans speakers, the ruling National Party and the banned African National Congress.

Frederik Van Zyl Slabbert, 47, stunned his party and fellow South Africans in February 1986 when he announced that after 12 years as an MP, the last seven of them spent as leader of the Progree Federal Party (PFP), he was leaving parliament.

It had become irrelevant, he said, and declared that the exclusion of blacks from the tricameral assembly introduced in 1984 and the development of increasing powers in the hands of President Botha had moved the real political arena outside parliament.

The timing and the manner of Mr Slabbert's departure—fellow PFP MPs only learned of his decision on the morning of the announcement — infuriated many party members. But Mr Slabbert, who went on to set up the Institute for a Democratic Alternative for South Africa (Idasa)—a constitutional think-tank which brings together a cross-section of South Africans—is acknowledged as one of the country's most cogent and penetrating political analysts.

He has the build of a front-row rugby forward, put to good effect on the fields of Stellenbosch University (the cradle of National Party intellectuals) and is equally at home in Afrikaans and English. When The Sowetan, one of South Africa's leading black newspapers, conducted its own election poll on whom they would like to run the country he was in the top 10, alongside Nelson Mandela, Oliver Tambo, Archbishop Desmond Tutu and the Rev Alan Boesak.

Sitting in the study of his Cape Town home, Table Mountain framed in the window, Mr Slabbert gives his assessment of South Africa's prospects: "I can see a renewal of violence and a deepening of the siege, but not a successful revolution. The option is not revolution versus reform, so much as government's attempt to co-opt blacks and others versus genuine negotiation. And co-option will focus in two areas—security and constitutional affairs."

Having created a tricameral parliament for whites, coloureds (mixed race) and Indians, Mr Slabbert says, "the search is now on for the equivalent for blacks—through a national statutory council, regional service councils (RSCs), city states, homelands and so on, and government is asking: How do you combine them into an overarching constitutional structure?

"The government hopes that with security and constitutional co-option, combined with opening up the economy—de-regulation, privatisation and so on—you can get a programme of socio-economic reform going that will be sufficiently strong to buy off political dissidence.

"Fundamental to governments's approach is what it sees as broadening democracy on a 'group basis'—which I think is nonsense. And the idea of compulsory group membership is non-negotiable as far as the government is concerned. You may eventually see black faces in the Cabinet photograph, but control will still be firmly in the hands of the white minority."

Those opposed to government policy, Mr Slabbert says, ranging from the ANC to the United Democratic Front, the legal anti-apartheid coalition, have to ask what they are going to do in the face of what he calls "a massive co-optive onslaught."

"How do they set up alternative democratic structures that can compete with the patronage and inducements of the co-option system?"

On the other hand, he continues, government will find it increasingly difficult to make co-option work. "It's very expensive, it is not sure where it is going, and it is no more than an indefinite holding action which depends on the belief that you can buy off discontent."

Mr Slabbert is pessimistic about prospects that the government will begin negotiations with representative black leaders. "In terms of the dynamics of the national party there is very little movement possible towards real negotiations as long as P W Botha is in office.

"But I certainly see a new breed of younger National Party technocrats who will certainly begin to move away from co-optive politics. When they do this, there will be a new dynamic."

Mr Slabbert remains convinced that parliament is increasingly irrelevant. "The irony is that the present parliamentary system is at the mercy of the right wing, the Conservative Party.

"They will insist on the continuation of traditional parliamentary politics, whereas President Botha wants to use co-option to move beyond parliament. You will soon hear the argument that the National Statutory Council (the proposed multiracial policy forum which black leaders have so far rejected) is actually higher than parliament.

"So Botha will bypass parliament in order to introduce his reforms—all part of co-optive politics. And it will be the National Party which argues the irrelevancy of parliament even more eloquently than I did," Mr Slabbert says.

It will confirm, he says, the wisdom of his decision to initiate debate outside parliament. Idasa's target "is young Afrikaners, putting them in touch with young blacks and letting them talk about democratic alternatives; getting Afrikaner academics in touch with UDF and even ANC people."

Michael Holman

Economy

Informal sector plays a large part

AFTER A decade of low growth the average South African is worse off today than in 1977, despite a sharp increase in the gold price, the single most important variable in the entire economy. At least that is the conclusion to be drawn from government statistics which show that GDP per capita (at constant 1980 prices) has fallen from R2,047 in 1976 to R1,917 last year. Growth has simply failed to keep pace with the rise in population, and many of South Africa's underlying political and social problems are directly related to the resulting rise in unemployment and frustration.

But there are increasing doubts about whether the official statistics tell the whole story. Tony Norton, president of the Johannesburg Stock Exchange, is among those close observers of socio-economic trends who believe that the extent and dynamism of the largely black informal economy is heavily under-reported. He estimates that the informal sector probably adds another 15 per cent to GDP which, on an annualised basis, was officially running at around R159bn in the first quarter of this year.

Visual evidence of the amount of house building, house extensions and informal business in the townships and homelands indicates a substantial pick-up in economic activity and black purchasing power. This is reflected, in record beer sales, for example, and booming business in furniture and other stores supplying black consumers.

A lot of demand suppressed during the last two years of boycotts and township unrest is re-emerging now that "order" has been restored in the townships. Thousands of black workers lost their jobs in the formal sector during the post-August 1984 recession, and those in jobs have struggled to keep pace with inflation. Some key sectors like the mining industry, however, have paid wage increases above the inflation rate and this year unions are fighting for higher wages under the "living wage" slogan.

Whites, meanwhile, have been doubly hit by below-inflation wage and salary increases, and a sharply higher tax burden through fiscal drag over the last five years. Formal re-distribution of income is a political

Children of seasonal workers. Blacks in work have struggled to keep pace with inflation

minefield, especially after the Conservative Party's strong showing at the elections. Re-distribution appears to be happening, though, and is one of the factors behind high inflation, which was running at over 17 per cent in May.

But the main factor behind inflation appears to be the inexorable rise in Government spending and the size of the multiple bureaucracies. In his election-delayed June budget Mr Barend du Plessis, the Minister of Finance, announced a 16.2 per cent rise in spending to R46.86bn for the fiscal year 1987.

This will push the borrowing requirement up to 4.7 per cent of GDP, which the minister said would provide a further stimulus to the economy and help ensure that growth this year reaches the 3 per cent target. Confidence in official estimates has been badly dented by five years of heavy over-budget spending. A major question-mark surrounds the Government's ability to curb its spending when private sector consumption and investment recovers as expected. Unless carefully watched, the result could be severe inflationary pressure next year accompanied by a marked deterioration in the balance of payments.

The general feeling in government circles is that a relatively high level of inflation is part of the price to be paid for closing the gap between per capita spending on, for example, black and white education and other social services.

There are still huge areas of black poverty, especially in rural areas and among the urban unemployed. But higher black incomes, and the encouragement of black enterprise by de-regulation and encouragement of black urbanisation, are seen as essential if the economy is not to become the main casualty of the political stalemate. A major pre-occupation of both government and business is to sever the identification of capitalism with apartheid. The aim is to give blacks a greater stake in the system as property owners and businessmen not just as workers.

According to Mr Fred du Plessis, chairman of the giant Afrikaner Sanlam Group, blacks, who make up around 72 per cent of the population, own only 2 per cent of the country's wealth, although they have over 40 per cent of total consumer power. Closing that gap, while at the same time ensuring that the overall economic cake grows bigger, is a main objective of socio-economic policy.

The task has not been made easier by disinvestment and the need to repay $24bn of external debt. Inflation and debt repayment are the main constraints on growth. A debt re-scheduling agreement was reached with the major creditor banks in London in March: South Africa will repay $1.44bn of its $13bn bank debt over the next three years, as well as the maturing portion of its $10bn official debt.

The banking community appears to have been quietly impressed by the way in which South Africa has kept its entire $24bn debt on a performing basis, and some banks have quietly resumed lending. Even so, honouring its debt commitments means that the economy has to run a substantial current account surplus. This amounted to R7.2bn, over 5 per cent of GDP last year, and a surplus of between R4 and 5bn is expected for 1987.

The higher gold price has been a major help, contributing both to a firmer rand and a rise in reserves to R6.86bn at the end of May, of which nearly R5bn was in gold following the unwinding of earlier gold swaps.

The economy combines elements of a highly developed first world sector, with a large, underdeveloped third world component. On the plus side, it has a technically advanced and efficient mining industry and first class infrastructure, including sophisticated financial markets.

It also has the proven capacity to undertake large scale, high technology projects within projected time and cost parameters. In addition to its high-tech coal and nuclear power stations, oil from coal plants, and its sophisticated armaments industry, its civil and mechanical engineering industry is currently gearing up for two major new projects. These are the R4.2bn first stage of the Mossel Bay off-shore gas and conversion project, and the R5bn Lesotho Highlands water scheme.

One of the major determinants of South Africa's future will be whether the resources of the first world can be mobilised to pull up the numerically larger third world, or whether the developed sector will falter under the burden of high taxes, growing government spending, and emigration of skilled people. The outcome has been made more problematic by the cut-off of foreign capital and disinvestment.

Despite the hurdles, however, indications are that the economy generally is both leaner and more efficient after three tough years of recession and rationalisation. This also applies to key areas of the public sector like the electricity corporation, Escom, which has cut billions off its capital borrowing requirement. This was in response to the cut-off in foreign capital and more realistic future growth projections. Escom, under former Armscor boss John Maree, is undergoing a managerial revolution and has been particularly sensitive to the need to avoid crowding out the domestic capital market.

Real interest rates are still strongly negative, around minus 6 per cent, as a result of low overall credit demand, but they could rise sharply once investment revives.

In the longer run, as Dr Zach de Beer, a senior Anglo-American corporation executive, pointed out recently, interest rates will have to rise if domestic savings are to increase sufficiently to take the place formerly allotted to foreign investment. But this is only one of several structural changes demanded of an economy over-reliant on inevitably depleting extractive industries.

Dr de Beer suggested that South Africa—with abundant cheap coal as well as rich mineral resources—should carve out a niche for itself in heavy industries of the general "smokestack" kind.

Anthony Robinson

Profile : Mr Gerhard de Kock

Relaxed central banker

Mr de Kock

MR GERHARD DE KOCK, the governor of South Africa's central Reserve Bank, has been described by a leading bank economist as the man who has done more to enable economic sanctions to bite against South Africa than any foreign government or pressure group.

His policy of liberalising South Africa's financial and banking system—which encouraged South African companies to borrow heavily abroad—led to the liquidity crisis of September 1985, when the Government imposed a unilateral freeze on foreign debt repayments. Since then, his policy of accommodating the foreign banks has turned South Africa from a long-term importer of capital to an exporter, at the cost of an investment slump, low growth and rising unemployment.

Although the rush to withdraw foreign capital from South Africa was probably inevitable, the charge against de Kock correctly reflects the influence he has exerted over government economic policy in the past six-and-a-half years. Few, if any, other central bankers have a similar standing in their countries.

The peculiarities of Afrikaner politics, as well as his personal charm and intellect, are the main factors behind his influence. A long-standing critic of his free market policies, Mr Harry Schwartz, the finance spokesman of the opposition Progressive Federal Party, claims that de Kock has the ability to mesmerise the entire cabinet with his policy presentations.

Since 1985, de Kock's policies have been unexpectedly successful in allowing South Africa to run large current account surpluses and boost the Reserve Bank's gold and foreign currency reserves from $1.5bn to $3.5bn. At the same time de Kock has played a key role in the renegotiation of South Africa's debt payments and smoothed the fears of foreign bankers to the point where several have shown willingness to extend fresh trade and gold-related credit to South Africa.

Bridging the gulf between foreign bankers and his inward-looking Afrikaner constituency is not easy, even though both sides respect his grasp of international finance. He has often clashed with more interventionist ministers and officials. But he insists that the tension between the two is far from reaching breaking point.

What were the chances of a more right-wing government in future embarking on a "Peruvian" policy and repudiating South Africa's $22bn foreign debt? The isolationist argument is that it is futile to continue making such large sacrifices to pay back institutions that, for political reasons, will never again provide a white-dominated South Africa with more capital. But de Kock says he knows of no hawks in the Government or Treasury who would endorse such an approach.

Other bankers in South Africa draw comfort from the belief that, despite his distrust of the outside world, the average Afrikaner has a deep-rooted belief in his duty to repay all debts. This is likely to limit any populist pressure on the Government.

Similarly, de Kock believes that it would be "immoral" for South Africa to lighten the burden by re-purchasing its debt through the secondary market where it has been trading at a discount to its face value of up to 40 per cent. Recently the discount has narrowed to 20 per cent. De Kock has been criticised by some economists within the country for failing to take a tougher line over the debt negotiations in the last two years. He has, they say, too much empathy with their concerns and their outlook.

De Kock's background is certainly cosmopolitan. The son of a former Reserve Bank governor, he studied at Havard in the US before becoming a banking professor at Pretoria University. Since 1968, he has served as a director of the International Monetary Fund and later of the International Bank for Reconstruction and Development. He has a shrewd understanding of the preoccupations of foreign bankers.

The Swiss, he says, are the most pragmatic. "They like coming here, visiting the game reserves, travelling on the blue train," he says. "They have been very impressed by our performance in the last two years. It is ironic that South Africa, the polecat of the world, should now be seen as the good boy scout. The foreign bankers just wish that the other countries with debt problems would take a leaf out of our books."

With the help of its current account surpluses, South Africa has repaid $3bn of its debt since the moratorium was imposed. But the total capital outflow has been much larger.

"If you had asked me three years ago how we would manage if we were to lose $8bn of foreign capital and IMF payments and have conditions of drought, a lower gold price, at least until recently, riots and political unrest, I would have said, this could never happen. But suppose you said to me, 'If . . . .' "—de Kock shakes his right index finger with the enthusiasm of a university debater—"then I would have said that the economy could never adjust to such a shock."

But unlike the Latin American countries, South Africa was forced to adjust because it was given no alternative, he said. The Reserve Bank's policy had been to reimpose stricter exchange controls with a dual exchange rate structure, but allow the rates to float downwards choking off imports and boosting exports sharply.

But were not exchange controls creating just the sort of complications and bureaucratic muddle that was condemned by his commission (on the reform of the financial system which produced its final report in 1985)?

"Everything in South Africa is complicated," he said. "At least we do not have to manage separate exchange rates for whites, blacks and coloured."

De Kock admits that there is a backlog in processing applications for foreign exchange and that the exchange control system was far from "watertight." "I do not believe in exchange controls," he said. "They only work properly when you don't need them. I would love to abolish them if political developments allow it."

Could he be accused of over-reacting when the debt moratorium was imposed?

"That is a very interesting question, but we can never go back to the laboratory to find out. On balance, some sort of standstill was inevitable, given the subsequent political developments. But it was counter-productive for a few months. It gave so much publicity to our predicament and accelerated the depreciation of the rand."

De Kock denies that South Africa's borrowing levels had become dangerously high. Its dividend and interest payments to foreigners at the time were only 10 per cent to 12 per cent of export earnings — a level at which they have been since 1946. Now he believes that the financial crisis and the subsequent disinvestment by, particularly, US multinational companies, has deepened the sense of pessimism and lack of confidence among South African businssmen. Ths is one of the major causes of the current investment slump, he says.

Will the lack of foreign capital be an important constraint on growth if and when investment does pick up? De Kock expects foreign bankers to grant sufficient levels of trade related credit, "loosely defined," to accommodate any likely growth rate in the next few years. Thus the direct effect of sanctions should be small.

"For the first time in several years, I am relaxed," he says. "Being a central banker is relatively easy at the moment."

Clive Wolman

Stock Exchange

Record year for new issues

WHEN LEBOWA BAKERIES (Lebaka) is listed on the Johannesburg Stock Exchange on July 22 it will mark a watershed for the exchange. Lebaka will not only be the first black-controlled firm to be quoted on the exchange but its flotation will form part of a record year for new share issues.

In the five months to the end of May this year, 34 new companies had been listed on the market. The total for last year was 67 and Johannesburg stockbrokers estimate that 100 new names will be added to the market lists this year.

The surge of new issues since the start of 1986 is indicative of the distortions of South Africa's financial markets. Though most corporations can borrow from the banks at negative real interest rates, it is cheaper to raise capital through the stock market. By mid-June industrial shares provided an average dividend yield of 2.9 per cent and the industrial sector was rated on an average earnings multiple of 14. A year earlier those ratios were a dividend yield of 3.9 per cent and an earnings multiple of 11.

On the whole, these investment measures are what one would normally expect at the height of an economic boom, rather than in the early stages of a potentially fragile recovery from the worst post-war recession. The investment ratios, however, take into account the sharp recovery in corporate earnings currently under way and the limited investment options available to South African institutions trapped behind comprehensive exchange controls.

Stockbroker Richard Jesse reckons that corporate earnings growth will peak in the region of 40 per cent in October this year, and that the rate of growth of dividends will top out in the region of 30 per cent by the end of the year. Corporate earnings and dividends have recovered strongly from their recessionary depths as a result of lower interest burdens and improved trading conditions.

Brokers believe that the swirl of new companies is "a good thing." Six financial and insurance groups which straddle the South African private sector control 80 per cent of the wealth represented by the JSE's capitalisation. And brokers say that the flood of new issues is symptomatic of the country's continuing entrepreneurial drive.

To an extent the brokers are right, but many of the new issues were designed simply to allow owners of private companies to realise all or part of their investments. At the end of 1986, as corporate and private investors continued to scramble for equities, the JSE actuaries overall stood at 1,972 which represented an advance of 67 per cent on the closing level of 1985. Gold shares closed the year 73 per cent higher than at the start with the All Gold index rising from 1,165 to 1,908, and the index of industrial shares rising by 33 per cent to 1,424 from 1,068.

This year the pattern has been different. Gold shares have been restrained by the combination of gold's reluctance to move towards $500/ounce, soaring mining costs and foreign hesitancy over South African shares. By mid-June the All Gold index was about 3 per cent higher than at the end of 1986, the Overall index was about 11 per cent higher and the industrial index had notched up a 33 per cent advance.

This year rand-denominated export earnings of mining companies have not benefited from the rand's weakness. Coal exporters in particular have been hit by lower dollar-prices for coal and sanctions-induced export declines. Investors have shied away from the minerals sectors and, brokers report, are concentrating on the sectors which will benefit from the government's promotion of inward industrialisation. They are less concerned with gold shares, particularly as foreign holdings continued to hang over the market.

Movements in the gold sector are likely to be prompted by shifts in foreign perceptions. At present, foreign shareholders can count on dividend yields of as much as 10 per cent on blue chip South African gold mines, compared with yields in low single figures on shares in smaller Australian or Canadian producers. That is the measure of the risk perceived in investing in South Africa—a risk measured by the fact that for more than a year the financial rand has generally been worth less than half the external value of the commercial rand.

Jim Jones

Trading floor of the Johannesburg Stock Exchange

Gold

Production target uplifted

FINANCE MINISTER Barend du Plessis earlier this year said that South Africa's mines would lift their annual gold production to 700 tonnes by the end of the decade. It is a tall order for an industry that has had an almost steady decline in production since 1970 when it peaked at fractionally more than 1,000 tonnes. The target represents a rise of 10 per cent on the 636.2 tonnes produced from all sources in 1986, and a target made more difficult to hit by the fact that production in the first four months of this year was almost 3 per cent less than in the corresponding period of 1986.

Mr Du Plessis' estimate relied largely on the view that the record levels of capital spending by the mines would lift ore production sufficiently to overcome grade declines. Last year the Chamber of Mines' gold mining members spent R2.42bn on capital projects—a whisker less than twice the amount they spent in 1981. Coincidentally or not, that growth in capital spending precisely matches the consumer price index's rise over the same period—and on that basis real capital spending was no greater in 1986 than in the first years of this decade. None the less, capital spending has allowed the mines to increase their total production of ore each year since 1976.

Gold production has fallen because the mines are locked into an irreversible situation of declining grades. Mines are wasting assets and South African mine managers, like their colleagues worldwide, want to maximise returns on investment by mining higher grades of ore first and then working progressively lower grades.

To a considerable extent, capital spending in recent years has been targeted at increasing mill throughputs, as a means of controlling cost increases. It appears not to be succeeding as well as hoped. Between 1980 and 1985 South African production prices rose by 87 per cent, while the unit cost of mining and processing each tonne of gold ore increased by almost 94 per cent. Over the same period, productivity, measured by the tonnes of ore broken per employee, improved by 12 per cent, while black wages rose by almost 119 per cent and white wages by a slower 83 per cent.

In other words, black miners' wages have been rising substantially faster than warranted on pure productivity and inflation-matching grounds. White miners' wages have not. However, that is not an argument heeded by newly unionised black miners who are determined wages will recover from decades of no collective bargaining.

The mineowners' dilemma will be hard to solve. The geology of the gold fields makes wide-scale underground mechanisation difficult. New processes which improve efficiencies are possible on the surface, as was shown by the wide-scale introduction of carbon-in-pulp (CIP) and carbon-in-leach (CIL) developments which improved gold recoveries in ore treatment plants.

Underground it is a different matter. Attempts to introduce new underground machinery are met with intense suspicion by the men likely to be displaced. Last year the Randfontein and Western Areas mines announced plans to cut labour forces by 20 per cent or so by introducing trackless haulage equipment in wide stopes. The men's response, management says, was a series of unofficial strikes, go-slows, absenteeism and malicious damage of machinery. Talks failed to result in agreement on retrenchment terms and labour disruptions cut gold output sharply at both mines in the first half of this year.

The black miners' attitude is explained by a member of the National Union of Mineworkers (NUM): "Job reservation means that black miners' wages are a fifth of white miners' and now the union is winning increases which help narrow the gap, management wants to bring in machines to lay men off. Where were those machines when black miners weren't unionised?"

Employers had hoped that productivity improvements would be possible by the scrapping of racial clauses in the Mines and Works Act which prevent black miners from occupying supervisory line positions. Electoral considerations helped persuade government to delay fulfilment of its promise to remove the job reservation clauses by the end of last year. Legislation to abolish the remaining racial job reservation clauses was tabled in parliament in June this year and race alone will no longer be the determinant of who does what work.

However, mine managers will not be free to employ whom they like to fill supervisory line jobs. The minister, or a committee appointed by him will decide on appointments, which leads the Chamber of Mines to fear that statutory racial job reservation will be replaced by regulatory job reservation. In the wake of last September's disaster in which 177 employees were asphyxiated at the Kinross mine, the NUM argued that job reservation, which excluded black miners from mine safety committees and which stretches the supervisory capabilities of white miners, is a principal contributor to the mining industry's appalling death rate.

More than 600 men die each year in South Africa's gold mines and collieries and black miners are more than twice as likely to die in mine accidents as white. Mr Jean Leger, who has researched mine accidents, blames the system of production bonuses paid to white miners for the inadequate approach to safety. And union officals fear that while the industry continues to emphasise production increases the death rate will not decline materially.

Black miners, who have only been allowed to unionise in the past five years, are not simply concerned with wages and safety. One of the NUM's present demands is for equal treatment between black and white based on a scrapping of the migrant labour system. The union wants the black single-sex compounds, which resemble vast prisoner of war camps, scrapped and replaced by subsidised married accommodation as is the case with white miners.

Anglo American, and some of the other mining groups, have plans to provide black employees with married accommodation. But as Mr Julian Ogilvie Thompson, the Amgold chairman, said in his latest annual report, government's co-operation will be necessary as, too, will be the repeal of the Group Areas Act. The sheer cost makes it difficult to envisage any massive spending on married housing by the mines.

Jim Jones

Scrubbing freshly poured gold bars

Finance Minister Barend du Plessis: optimism on output

Gold Production by Chamber Members

Year	Gold Milled tonnes	Gold Produced tonnes	Gold Revenue Rm	Pre-tax profit Rm	Capital expenditure Rm	Dividend Rm
1979	83.5	702.8	5,666	3,537	689	963
80	89.9	654.9	9,665	7,335	922	2,279
81	91.9	645.3	8,301	4,809	1,222	1,685
82	95.0	652.0	8,515	4,498	1,256	1,372
83	99.9	654.8	9,513	5,338	1,408	1,731
84	101.1	651.3	10,399	5,669	1,645	1,689
85	104.6	637.0	13,354	7,801	1,911	2,322
86	107.7	605.9	15,677	8,307	2,416	2,545

Chamber of Mines members only
Source: Chamber of Mines of South Africa

Exchange control rules start to bite

NEW EXCHANGE control regulations were invoked by one South African Reserve Bank in early June this year. And it seized all the assets of three officials of a commercial bank who are due to appear in court in August on charges of contravening the country's stringent exchange control regulations.

Their alleged crime was "round-tripping," a device by which investments priced at the effective financial rand rate were bought abroad illegally using commercial rand. They were then repatriated to South Africa for sale to create more commercial rand. Profits accumulated rapidly as, at the time, the financial rand's external worth was less than half that of the commercial rand. Seizure of the assets was designed to show that exchange controls have teeth.

The financial rand (FR) was reintroduced in September 1985 both to discourage divestment and to prevent foreigners' snowballing divestment from South Africa from swallowing the country's foreign exchange reserves. It separates non-residents' rand holdings into a restricted pool so that a non-resident selling a South African investment receives payment in rand which can only be converted into sterling or dollars by being sold through the pool to another non-resident who wants FR. There is no loss of foreign exchange and the FR's effective exchange rate is substantially less than that of the commercial rand.

The market in FRs is not open to South African residents and is comparatively thin and volatile since it reflects the balance of non-residents' willingness to hold South African assets. Standard, French Bank and UAL, the principal banks operating in the market, normally quote two-way rates with a spread of 0.5 US cents but good for only R500,000. Anything more than R500,000 will move the rate sharply.

Nevertheless, it is not an altogether limited market. FR can be created simply by selling assets or shares to South African residents. The rand receipts from that sale to resident South Africans have to be deposited in specially designated FR accounts and can be used either to acquire further assets in South Africa or shares to be transferred to London for sale at dollar denominated prices there.

The converse is that non-residents can invest in South Africa at more advantageous yields than are available to South Africans themselves. In the case of gold mining shares, for example, a non-resident buys at a dollar price determined by the rand price in Johannesburg and the current FR exchange rate. However, when dividends are paid they are remitted to the non-resident in dollars at the commercial rand exchange rate.

At present, entry into South Africa through the FR market is limited to non-residents wanting to buy equities or fixed assets. However the South African exchange control authorities are expected to allow the FR market to be expanded. Back in the seventies and early-eighties, before financial rands were briefly abolished, foreign owners were allowed to introduce new financing into the country through the FR market. One of the largest deals was done by Volkswagen, which brought in more than R100m to finance the re-tooling of its motor plant. Restoring this use of the FR is under consideration in Pretoria as a means of persuading foreign firms that there are advantages to staying and expanding in South Africa.

Jim Jones

Investment management

Corporate giants under fire over crossholdings

THE LARGE institutional investors in the life insurance and pensions industry have recently been placed in the forefront of the mounting public and governmental criticism of the extreme concentration of corporate financial and industrial power in South Africa.

The industry is led by four companies—in order of size. Old Mutual, Sanlam, Liberty Life and Southern Life—which have a 75 per cent share of the life insurance and long-term savings market between them and are also the dominant institutional investors on the Johannesburg Stock Exchange (JSE).

The issue of concentration has been highlighted by the recent disinvestment moves of a large number of foreign, particularly US, companies. Their subsidiaries have usually been sold to one of the domestic corporate giants.

Thus, for example, the Prudential Corporation of the UK sold its South African subsidiary to Liberty Life while Barclays' stake in what is soon to be called First National Bank was bought by Anglo American Corporation, the country's largest company, both directly and through its subsidiary, Southern Life.

The recent publication of a book, showing the extent of the cross-holdings between South Africa's corporate giants, has added fuel to the fire. The impression created is that of dominance of the economy by a handful of multi-industry groupings, linked through ownership ties, similar to the discredited "zaibatsu" system that operated in Japan before the Second World War.

One leg of the argument is that there is negligible legitimate synergy or economies of scale between the component parts of South Africa's large sprawling conglomerates. The holding company managers often appear to have only a weak grasp of the detailed operations and strategies of their underlying businesses.

Against that, the managers claim that South Africa's capital markets, which are small and isolated by exchange controls, are not always efficient or liquid enough to take over the financing role of the conglomerate's head office.

The liquidity crisis of 1985, which led to South Africa's foreign debt moratorium, would have caused a much more serious rash of corporate insolvencies if the holding companies behind them had not been available to bail them out, they say.

Sanlam, the Afrikaner-led mutual company which has often proclaimed its opposition to free capital markets in South Africa's "unique" situation, has taken the most active interventionist stance.

Over the last two years, Sanlam has been involved in the restructuring and management shake-outs of several large companies such as Gencor, the second largest mining company, the Kirsh Trading retail group (now called Tradegro) and the Nissen company.

Even Old Mutual, which prefers to limit itself to hands-off portfolio management (in which it has achieved outstandingly high returns since 1984), was compelled to intervene in the rescue and recapitalisation of Nedbank, after it faced payment difficulties in 1985 as a result of the debt moratorium.

The insurance companies also claim, quite rightly, that despite the degree of concentration, the market for their products is a highly competitive one. The competition has ensured a high degree of efficiency, cost control, product innovation and technological advance.

The computerised financial data base, complete with colour graphics, which is used by the investment managers and analysts at Old Mutual's headquarters in Cape Town, has few equals even in the large securities and investment houses of London or New York.

But the arguments against the complex web of crossholdings have never focused on the creation of monopolies. As far as the customer is concerned, the claim is rather that it throws up numerous conflicts of interest, particularly in the financial services industry. With the partial exception of Liberty Life, all the insurance companies have ownership and other links with different banks and building societies.

According to Mr Zak de Beer, chairman of Anglo's insurance, banking, property and construction arm, the primary source of synergy between Southern Life and Barclays is the opportunities it will bring for cross-selling.

More serious is the scope for abuses in the capital markets and through dealings at the expense of shareholders who are outside the web. For example, the Mine Officials and Mine Employees pension funds, together the largest in South Africa with assets of R6bn, have their investment policies, which in recent years have yielded poor returns, determined by an investment committee controlled by the mining houses.

Mr Malcolm Mackintosh, deputy investment manager, said he preferred not to comment on the extent to which the fund is used to boost or manipulate the mining houses' share prices.

Similarly, corporate managers are strongly pressurised to buy the products of companies in the same group. Mr Tony Norton, JSE president, says that this was one of the main factors behind his departure from Barlow Rand, one of the largest non-mining companies.

"The pressures to be a team player can be quite terrifying," he says. "Concentration in itself is not bad but it gives rise to conflicts." That is the main reason, he argues, for preventing Stock Exchange firms from being acquired by outside companies.

The high concentration of investment management, together with the thin capitalisation of Stock Exchange firms—which prevents them from taking large positions in equities—are two of the main reasons for the low turnover of most managed equity portfolios.

The turnover rate of the big four insurance companies for equities is well under 10 per cent—although for government bonds it is much higher—and they rely on their strong cash inflows to adjust their weightings in different stocks. The fact that they are often effectively locked into large stages often makes inevitable their intervention in corporae crises.

The companies complain that their lack of manoeuvrability is largely a result of the restrictions placed on their investment activities by the government. Firstly, exchange controls prevent them from diversifying their assets into foreign securities. Government policy has also led to the almost total exodus of foreign shareholders from South African non-mining stocks, leaving the insurance companies to take up their stakes.

Thirdly, insurance and pension funds are obliged to hold 33 and 53 per cent respectively of their portfolios in prescribed assets, which means primarily government bonds on which the yields are typically low.

Because these ratios are calculated on historic costs and not market values, the managers have a strong deterrent against realising their capital gains on equities. For a pension fund, 53 per cent of the proceeds would have to be invested in prescribed assets.

Indeed, many argue that the issue of excessive concentration of financial power can be seen as just one aspect of the highly regulated approach to economic management of the Nationalist Party over the last 40 years.

Clive Wolman

Banking

Sanctions will inhibit foreign links

THE IMPOSITION of economic and financial sanctions on South Africa by the outside world has probably had a more serious effect on its banks than on any other industry.

The most traumatic effect was on Nedbank, one of the five dominant South African banks. Its holds the middle ground between the two "British" banks, Barclays and Standard, which have the largest market shares and the two Afrikaner banks, Volksas and Trust Bank.

When the debt standstill was imposed in September 1985, Nedbank was exposed to large foreign currency losses and to a mismatch in the maturities of its assets and liabilities. A failure to meet international payments led to a run on the bank's offices in London and New York which was ended only by the intervention of South Africa's central Reserve Bank and by a recapitalisation. Since then, the bank's domestic business has recovered strongly.

However, the longer-term effects of sanctions go far beyond either the Nedbank rescue or the disinvestment decisions of Barclays last November and Citicorp last month. After a period of international expansion in the early 1980s, prompted by moves to liberalise South Africa's financial markets, its banks have now been forced to retrench and turn inwards again.

It will become increasingly difficult for them to make acquisitions or forge long-term links with banks in other countries, although they have all set up correspondent networks to handle trade finance.

One consequence has already been a loss of foreign exchange dealers and other highly qualified international banking staff. They have been tempted away from the now limited opportunities of the South African market to emigrate and join foreign, particularly Australian, financial institutions.

At the same time, the economic recession, which was deepened by the country's debt crisis, led to a rising number of insolvencies and liquidations in 1985 and 1986—a trend which has now levelled out, but which forced the banks to make large bad debt provisions.

The investment slump, which now also appears to have bottomed out, meant a steady repayment of debt by companies during 1986 despite continuing negative real interest rates. The one offsetting factor has been the explosive boom in new stock market flotations, which the banks' merchant banking arms usually sponsor. There has been a recent tendency, however, for small companies to bypass them.

At the same time consumer credit has failed to expand, as the painful memories linger of the 25 per cent prime interest rates of two years ago.

The upshot of these developments has been a shrinkage in the balance sheets of all the large banks—at least after adjustment is made for the 15 to 20 per cent inflation rate.

This has had the favourable side-effect of making it easier for them to comply with the new and much tougher capital adequacy requirements laid down in last year's Banks Act. The Act brings South Africa more into line with international practice by requiring capital to be held as a varying proportion of different assets in accordance with their riskiness.

The only growth area for lending has been in housing finance, where the banks have been encroaching on the traditional territory of the building societies. However, the building societies have been fighting back, taking advantage of the new powers granted to them by recent legislation, similar to last year's Building Societies Act in the UK.

In particular, four of the five largest societies have become, or are about to become, Stock Exchange listed companies.

With rising incomes, it is hoped that black people will make greater use of financial services

They have attracted large numbers of retail depositors, hoping to cash in on a windfall gain.

The most spectacular stock market debut in December was that of the United Building Society, the country's largest with more than 100,000 shareholders, who saw the value of their stakes almost treble on the first day.

In April, UBS, which has won the reputation for technological innovation and the rigorous pruning of its costs, announced a share exchange deal with Volksas which has given them a 30 per cent stake in the bank. The two institutions are setting up another jointly-owned banking operation.

None of the building societies has yet made an impact on the corporate borrowing and finance market, although they have already started poaching key banking staff. Their chief gain from de-regulation appears to have been access to cheaper funds. However, most bankers expect the building societies' expansion, backed by heavy investment in systems, to lead to substantial over-capacity by the early 1990s, followed by a period of shake-out and consolidation.

The one opportunity that may falsify this bleak prediction is the growth in the banking market for blacks. So far this market has been characterised by a high volume of low value transactions, mainly the depositing and withdrawal of wages, which might only become profitable with more extensive streamlining and computerisation.

Within the black communities, loans are typically granted outside the banking system through informal credit unions and often at exorbitantly high rates of interest. So far only one significant black-owned and managed bank, the African Bank, has emerged and it has suffered from poor marketing and internal controls.

The hope is that the sharp rise in black incomes of the last five years will continue and at least a small proportion of South Africa's 25m blacks will start making greater use of financial services.

The SA Perm, the only one of the big building societies which has decided to remain a mutual, has been particularly active in the black mortgage market lending R320m of its R2bn new loans last year to blacks.

However, the growth of this sector has been stifled as a result of the current rent boycott. The Government is refusing to allow all those involved in the boycott to buy their own homes. In addition, some bankers believe, unofficially, that encouraging blacks to buy their own homes merely reinforces the racial segregaion of housing, entrenched by the Group Areas Act.

The other rapidly growing financial services market for blacks is pension or provident fund contributions. Black trade unions have generally insisted, to the point of calling strikes six years ago, on the right of black workers to withdraw contributions when they leave or change jobs. The comparatively low life expectancy of most black workers means that typical pension fund benefits may be of little value.

This has made provident funds a more suitable vehicle for blacks, despite their fiscal disadvantages. The funds are usually managed by the merchant banking arms of the main banks or by the insurance companies. For the first time, managers are meeting trustees or investment committee members who are black.

Clive Wolman

Taxation

Failure to lift thresholds adds a burden

MOST OF THE RECENT tax reform moves around the world derive from similar causes. But South Africa's racial problems, and the steady withdrawal of foreign capital, have added some complex twists to the process which was started in South Africa three years ago.

Within the next few months the Government is to publish the recommendations of the 19-person commission on tax reform—which are known to be fairly radical—together with its own views. After a consultation period, legislative proposals are expected to be introduced to Parliament next March.

The commission, headed by Mr Justice Cecil Margo, a distinguished commercial and tax laywer, was set up in late 1984 with the strong backing of the Government. Its report, which contains many minority recommendations, was originally scheduled for completion a year ago. Despite hints of waning enthusiasm, most believe that the Government will feel obliged to implement a large part of the report because of the seriousness of the problems it addresses.

The most serious has been the sharp increase over the past six years in the wake of the General Sales Tax (GST) and in the average rate of income tax. Although the top rate has been cut to 45 per cent, the failure to increase bracket thresholds in line with the high rate of inflation in the 1980s, has meant that the average rate of tax has become high even for middle-income earners.

Many economists believe that the ending of South Africa's attractions as a low tax country have been a more important factor than political unrest behind the upsurge in the emigration of skilled white labour.

According to Justice Margo, who is unable to release any details of his recommendations: "The ideal system of taxation is one with a broad base and a low rate." Assistance for certain groups can be carried out much more efficiently through well targeted subsidies than through the tax system, he says.

He gives as an example the exemption from GST that has been granted to some fresh food but not tinned food, supposedly to help the poor, yet many impoverished blacks rely on tinned food.

The industries most likely to be the victims of proposals to sweep away special exemptions for relief are mining, life insurance and the building societies. At present, mining companies are allowed to offset their capital expenditure, if on an existing or contiguous mine, against corporation tax in the first year.

The insurance companies and building societies are both granted (differing) tax privileges for their savings products. The Commission is committed to achieving greater fiscal neutrality in savings and investments.

One beneficiary of the reforms, however, should be the Stock Exchange and its members. At present, trading in equities is desultory by London standards—less than 10 per cent turnover per year. This is largely a result of the high rate of stamp duty (transactions tax) which is 1.5 per cent, and, more important, the tendency of the tax inspectors to impose income tax on all capital gains realised from the sale of equities.

The Government is likely to face the fiercest opposition if it removes some of the exemptions from the GST. To give compensation to the low income black population will be difficult since South Africa has no social security system except for a limited state pension.

As a measure of the political pressures, one of the few successes in its short history of the Indians Chamber of Parliament (which is boycotted by most of the Indian community) has been to win an exemption from GST for rice.

Tax reform can be an explosive racial issue. In 1984 the black trade unions threatened strike action in protest against the repeal of the Black Taxation Act and their integration into the general taxation system.

Although under the new system an estimated 80 per cent of black taxpayers pay less tax, their protests were fuelled by a general suspicion of government intentions. The changes also allowed the issue of "no taxation without representation" to be raised.

More recently, black militants have revived the tax issue by calling on employers not to deduct income tax at source from the earnings of blacks and by threatening black traders who collect and pay GST revenues to the Government. One of the outstanding biases of the existing tax system is the substantially less favourable tax treatment granted to provident funds—the most popular long-term savings vehicle for black employees — compared with pension funds. This area is a likely target of reform.

The issue on which Margo has been most outspoken is that of tax evasion. According to Mr Pierre du Toit, senior tax partner of accountants Arthur Andersen, the crackdown on tax dodgers has already begun. More businesses have had their accounts subject to detailed scrutiny, the ranks of tax inspectors have been boosted by drafting in young accountants to serve in lieu of military service, and a variety of tax loopholes in particular fringe benefits have been closed.

"The traditional assumption of a basically benign taxman is no longer true," says du Toit.

Margo is expected to propose several new measures, including more criminal prosecutions, stiffer penalties and, most fundamentally, a shift from General Sales Tax towards a modified form of Value Added Tax. This has the attraction of being self-policing.

After broadening the tax base, the second most important issue on the reform agenda is removing the bias in favour of high labour substituting investment as a way of reducing unemployment. The generous allowances which let 130 per cent of the value of investments be off-set against tax, have already been removed. The still-highly accelerated forms of depreciation allowance may now also go, although in conditions of high inflation no solution will be simple.

The move to withdraw foreign capital and investments, and the abrogation by the US and Canada of their double taxation treaties with South Africa, is also expected to lead to a change in policy. The Government is considering granting unilateral relief on the dividends and interest payments to foreigners by reducing or removing with-holding taxes.

Some observers remain sceptical about the political will of the Government to implement such reforms. According to tax consultant and publisher Mr Costa Divaris: "There are powerful political reasons why the tax system is as it is. The purer the proposals are from a tax or economic point of view, the worse they will be from a political point of view."

Clive Wolman

Foreign companies' responsibilities

Disinvestment can backfire

IN THE WELTER of debate about the merits of disinvestment from South Africa it is ironic that a set of proposals for what is being termed "socially responsible withdrawal" has come from an institution which vigorously urges foreign companies to remain in the Republic.

Proponents of disinvestment—anti-apartheid lobbies in the US and Britain, the African National Congress and some black unions in South Africa—have belatedly discovered that the policy can backfire.

At least 78 US companies have pulled out over the past 18 months. The record to date suggests that many (though not all) the new South African owners may be less amenable to union demands, are cautious about playing a wider community role, and, of course, are not susceptible to foreign shareholder pressure for improved working conditions.

Later this month the Congress of South African Unions (Cosatu) will be meeting to reassess its strategy (though apparently not to reverse its policy). But in the meantime the Urban Foundation, South Africa's business-funded reform lobby which backs black education and housing programmes, has come up with an ingenious set of proposals which will allow departing US companies to support the Foundation's work on a tax-deductible basis.

Warwick Barnes, an executive director of the foundation stresses the body's opposition to disinvestment: "By staying as good corporate citizens foreign companies can continue to contribute to the promotion of policies and programmes that encourage change and promote the development of disadvantaged communities."

About 15 per cent of the funds of the Foundation — which played a major role in securing the repeal of pass laws and winning black South Africans' freehold rights in urban areas, has come from US companies.

"But", continues Mr Bailey, "if a company is determined to disinvest, it can be done in a socially responsible way". The Foundation, which opened a New York office in May 1985, was approached last year by a number of US companies "who wanted to know how they could remain involved following a disinvestment decision".

The Foundation's next step was to get expert advice both in Johannesburg and Washington. Their suggestions centred on the fact that the Urban foundation (USA) Inc has a tax-deductible status under US law which may be turned to mutual advantage.

As the letter from the Foundation's lawyers circulated early in June to selected companies put it: "Extensive discussions with the responsible officials in the departments of treasury and state . . . have revealed the potential for maximising tax and financial advantages in the exit transaction from South Africa while accomplishing desirable social responsibility goals".

"All the options", says Mr Bailey, "have been endorsed by the US Treasury, though they would have to look at each application.

"Although we hope that the Urban Foundation would be the beneficiary, it is not a condition under which we release the information. It is available to any US company which wants to play a constructive role in South Africa after disinvesting".

In addition to these schemes, the Foundation is urging departing companies to consider other options. "The US parent company could sell on condition that continued social responsibilities be defined and the new owners undertake to fulfil them", says Mr Barnes. "Alternatively, what some companies have done is to establish Foundations, to ensure an ongoing measure of social responsibility—a good example would be Xerox."

There are further ways, he goes on, in which concerned companies can assist the work of the Foundation or another institution it chooses to support: An ex gratia payment, or directing a portion of the dividend flow, or interest arising from loans made locally".

The move towards "constructive disinvestment" was illustrated last month by Ford, which holds a 42 per cent share in the South African Company (Samcor). The US company has offered to place 18 per cent of the shares in a trust for Samcor workers, while selling the balance to Anglo American.

Black union officials are still considering the offer, details of which have yet to be made available. Many unionists and black leaders are deeply suspicious of this and other overtures, fearing that they will become complicit in an arrangement which does no more than sanitise the links they are trying to cut. But in the meantime, it seems that the ball is in their court, and the Ford workers and others who work for foreign companies will have to do some careful thinking in the months ahead.

Michael Holman

Agriculture

Sixth year of drought

Preparing the staple food of mealie pap for school children during the drought.

A BITTER JOKE is doing the rounds among South Africa's debt-ridden farmers. What, it asks, is the difference between a bird and a farmer. The answer: a bird can still make a deposit on a tractor.

This black humour expresses the angry, despairing mood of farmers, especially in the drought-plagued high-veld plains of the Transvaal and the Orange Free State. It is a mood which cost Mr Greyling Wenzel, the minister of agriculture, his seat in the May 6 elections and gave the Conservative Party victory after victory throughout the Transvaal "Platteland".

The political dimension of the agricultural crisis in the heartland of Afrikanerdom could hardly have been spelt out more clearly. For many urban South Africans living in cities like Pretoria or Johannesburg, last summer will be remembered for the abundant rain which watered parched lawns and lush suburban gardens. But for the debt-ridden mealie (maize) farmers of the Western Transvaal, in particular, this was the sixth year of drought as fierce heat in the crucial February growing period withered once-promising crops on the stalk.

The net result is that earlier hopes of a 9-10m ton maize crop this year have been dashed. Now the most which can be expected is around 7.2m tons — just enough to satisfy the nearly 6m-ton domestic demand, and leave a million or so tons for export.

Maize is the most important single crop, worth over R2bn out of total 1986 agricultural production of R12.97bn—roughly 5 per cent of GDP. As the elections showed, it is also the most politically important. It therefore took considerable political courage for the government to permit a 10 per cent drop in the producer price only months before the election.

However the decision to give greater flexibility to the maize board, and abandon the old cost-plus basis of price fixing, reflected the need to contain prices to reverse the 15 per cent drop in maize demand over the last two years. Faced with higher prices and recession, black consumers, who buy around 3m tons of white maize as their staple diet, either bought less or switched to bread and cheaper grains like rice.

It is difficult, though, to tell farmers that they have to drop their prices to be competitive when the country's 67,000 commercial white farmers are burdened with over R11bn of debt and faced with an average 20 per cent rise in input prices for fertilisers and tractors, for example.

The biggest burden on most farmers is the interest on debt accumulated during the drought and as a result of tax-break induced over-spending on plant and equipment in the previous good years. It has brought thousands of them to the brink of bankruptcy. In his June budget Mr Barend du Plessis, the Minister of Finance, set aside R400m to rescue desperate farmers from sequestration. This was part of R1bn set aside for farm relief in one form or another.

This relief is seen as a drop in the bucket by farming experts who argue that bad or marginal farmers must be allowed to go to the wall. Greater attention should be paid, they say, to growing alternative crops, improving cattle strains and upgrading the skills of a farming sector which is lagging behind in many respects.

Much criticism is also levelled against the 22 control boards which regulate almost everything from dry boans to rooibos tea. Only 17 per cent of total farm productin is uncontrolled, although the Government pays lip service to the merits of competitive private enterprise. Not all the criticism is merited. The maize board, for example, the biggest of the lot, puts up a strong defence of its role in securing orderly marketing, distribution and quality control.

The spectre of sanctions worries Cape farmers.

Maize farmers, like their counterparts in the sugar plantations of Natal, suffer from the world surpluses and low prices for which they blame the UK and the EC's agricultural policy.

What worries the fruit and wine farmers of the Cape is the spectre of sanctions which have already closed the North American and Scandinavian markets. Fresh and canned fruit exports and wine were worth R878m last year and the Cape economy is more dependent for jobs and income on farming than any other region.

In contrast to many other parts of the country, where casual day labourers often earn less than R1 a day and where rural poverty has got worse with the drought, farmers in the Western Cape are involved in a major effort to raise wages and improve living standards.

The effort is being co-ordinated through the Rural Foundation. This was set up four years ago as a rural complement to the Urban Foundation which promotes better housing for urban blacks.

Reducing the alcohol-induced squalor, which has been a feature of rural life in the Cape for generations, is partly aimed at heading off sanctions pressure and unionisation. Unions have made little impact in scattered farming communities thus far, although the fruit and vegetable canning workers' union has made inroads into the Cape fruit packing co-ops.

The unions are anxious to increase their presence in farming areas. It promises to be an uphill fight, however, especially in areas like the northern border country where keeping white farmers on the land, and their labourers under control, is seen as a vital security issue.

Anthony Robinson

Energy

Fragile ties with the oil majors

EARLY IN 1992 when the first gas is pumped 80 kilometres ashore at Mossel Bay, South Africa will be at the peak of its independence from foreign energy sources.

By that stage about 8 per cent of the country's liquid fuel needs will start being supplied from a gas conversion plant at Mossel Bay which will produce 25,000 bbl/day of combined petrol and diesel fuel. A further 40 per cent or so will come from Sasol's oil-from-coal synfuels plants in the Transvaal and Orange Free State.

The Mossel Bay project is small compared, say, with the North Sea. Proven gas reserves are sufficient to sustain production for at least 30 years, but they will need to be husbanded far more carefully than reserves in North Sea wells.

The first group of 18 wells in the so-called F-A structure, almost immediately south of Mossel Bay, will be exploited by a single platform. The wells are expected to last about 18 years with compression. Early in the next century it is planned to locate another platform about 47 km to the west to exploit the EM field.

Soekor, the state-owned oil exploration company which has managed the off-shore drilling, hopes that additional reserves will be found to extend the initial life beyond 30 years. Nevertheless the R4.2bn cost in 1987 terms of setting up the first platform, laying an undersea pipeline and building a gas conversion plant on-shore, may appear expensive given the initial reserve indications.

The Government believes, however, that it is a small enough price to pay to help ensure the unofficial target of 50 per cent self-sufficiency in liquid fuels. Protection from sanctions underlies South Africa's entire energy planning. Until recently it was assumed that the oil majors would continue to supply the country with crude, just as they had done during the oil crises of the seventies when Arab producers were prohibiting sales to South Africa. South Africa had sought to bind the oil companies more closely to her by allowing them to participate in export colliery development in the seventies.

The fragility of ties with the oil majors, however, was shown up earlier this year when Esso announced divestment plans. Esso was the smallest distributor and its operations were only marginally profitable, nonetheless the company's withdrawal gave Pretoria's energy planners pause for thought.

Theoretically South Africa could become self-sufficient in liquid fuels by going the synfuels route. The private sector is champing at the bit to establish oil-from-coal plants similar to Sasol's and the Government recently gave the green light for studies into the feasibility and technology of recovering oil from torbanite shale in the Transvaal.

High-levels of self-sufficiency do not go down well with the oil majors though. In the Transvaal, Orange Free State and northern Cape their role has been reduced to that of distributor of Sasol petrol, even though it is pumped into cars out of pumps marked Shell, Mobil or whatever. Petrol produced from coastal crude refineries is sold only in Natal and the southern section of the Cape and those refineries are operating well below capacity at present.

The oil majors are compensated by a so-called synthetic levy on each litre of petrol sold throughout the country and they will distribute the diesel and petrol produced at Mossel Bay. But their growth prospects are limited as Dr Louw Alberts, the Director of Mineral and Energy Affairs, believes no new crude oil refineries will be built in South Africa until well after the turn of the century.

At present sanctions-avoidance underlies the country's entire energy strategy. Next year, Dr Alberts says, nuclear self-reliance will be achieved when the first home-made fuel rods are produced for the Koeberg nuclear power station outside Cape Town.

Koeberg's two reactors have a combined generating capacity of 1,840 megawatts, equivalent to just over 6 per cent of the total installed capacity of Escom the state-owned electrical utility. Hydro and pump storage stations provide less than 3 per cent of the country's electricity, with the balance of about 90 per cent generated in coal-burning thermal power stations fed by dedicated private sector collieries.

Last year Escom's thermal stations burned 58.92m tonnes of coal or 33.3 per cent of the country's 176.7m tonnes total coal production. Sasol converts about 32m tonnes of coal into liquid fuels each year and, last year, exports accounted for 45.5m tonnes.

Production of coal and generation of electricity

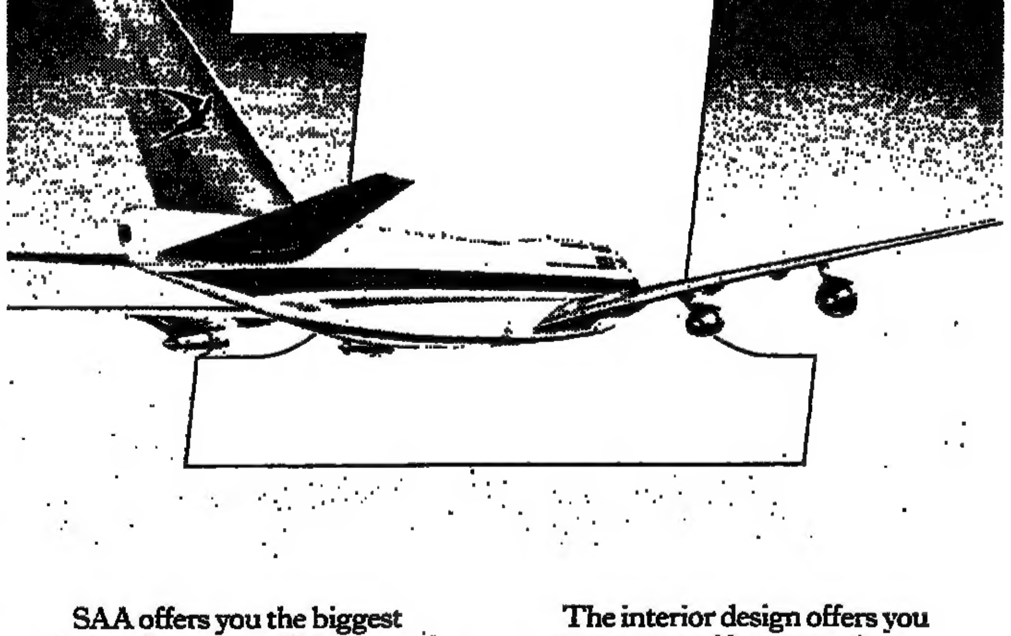
Year	Total production m tonnes	Exports m tonnes	Escom usage m tonnes	Escom power generated m megamatt hours			
				TOTAL	COAL	NUCLEAR	OTHER
1979	103.8	23.3	43.3	75.6	74.5	0	1.1
80	115.1	29.2	46.8	83.4	82.3	0	1.1
81	130.3	29.9	53.9	97.8	95.7	0	2.1
82	141.1	26.5	55.2	102.8	100.2	0	2.6
83	145.8	29.7	55.0	103.3	100.7	0	2.6
84	162.0	38.1	58.7	116.6	110.1	3.9	2.6
85	173.1	44.3	59.5	122.0	113.9	5.3	2.7
86	176.7	45.5	58.9	126.5	114.3	8.8	3.4

All-in-all, coal provides about 80 per cent of the country's total energy needs. At the last count, recoverable coal reserves stood at 58bn tonnes, equivalent to about 11 per cent of the world's total. While this might appear to be a secure enough base from which to withstand sanctions, availability of coal is not the only factor in the equation. Two years ago recession led Escom to revise its estimates of annual electricity demand growth for the rest of this century from an annual 7 per cent to 5 per cent.

The effect is that demand is now expected only to double by the year 2000 rather than increase by 2.6 times. The lower demand growth pattern persuaded Escom to delay construction of its five new-generation 3,600 megawatt thermal stations. Last year the delays were reversed as a precaution against sanctions or unavailability of generating equipment and further finance from abroad.

The introduction of the new generation of power statons will leave the Escom with more excess capacity than it would like for some years, and this will be managed by closing older thermal stations and using Koeberg as a seasonal peak load provider.

Jim Jones



Consumer industries

Policy of domestic stimulation

A CRUCIAL test of the South African economy's ability to pull itself up by its own boot straps comes in the remainder of this year. Despite the three-year foreign debt repayment agreement reached with creditor banks in March, the economy cannot rely heavily on export-led growth. Rather the authorities have embarked on a policy of domestic stimulation which will need fine tuning if it is not to founder on the balance of payments.

Manufacturing, the motor industry and retail and wholesale trading account for about 45 per cent of total real gross domestic output, and these sectors are being promoted by the authorities to generate an important part of the 3 per cent gross domestic product growth targeted for the 1987-88 fiscal year. Last year the economy undershot a 3 per cent GDP growth target and rose by only 0.7 per cent. This year the prospect of hitting targets is better, though none of the four sectors is growing smoothly.

Last year, in the depths of the recession, only 174,395 new cars were sold country-wide. This year the industry reckons that sales might be as high at 215,000 units, though extrapolating from the 77,160 sold in the five months to May indicates total sales of about 190,000 by the year's end.

Mr Nico Vermeulen, director of the National Automobile Manufacturers' Association (Naamsa), estimates 1987's new vehicle sales will be between 8 per cent and 12 per cent higher than in 1986, nevertheless sales will be a third lower than the peak levels of 1981.

This year's motor sales pattern underscores the fragility of South Africa's economic upswing, Standard Bank's economics department believes. Monthly sales peaked at 16,875 in March as most manufacturers began offering price discounts to counter unit price increases. In May, when the discounting ended, sales tumbled to 14,812. South Africans were prepared to buy ahead of future price increases, but the first four months' car sales surge and the May decline indicated just how wary individuals are of burdening themselves with new debt.

Mr Theo Swart, the managing director of the McCarthy group, South Africa's largest motor distributor, says that only 20 per cent of new car sales are to private individuals. Five years ago, before real disposable incomes started declining, the person in the street accounted for 50 per cent of new car sales, Mr Swart says.

Ironically, new Australian regulations could hurt sales of luxury cars. Many South African emigrants try to take a luxury car with them, but sales could be affected by Australia's decision to levy import duties on cars bought after May 13.

In its second quarterly bulletin of 1987 the South African Reserve Bank reported that real private consumption expenditure had risen strongly in the first quarter of the year. This was due to strong increases in spending on consumer durables, particularly cars.

This year's first quarter spending was 3.5 per cent higher in real terms than in 1986's first quarter. In contrast, Central Statistical Services (CSS) measured retail sales in 1980 prices at R3.63bn in 1987's first quarter against R3.66bn in the first quarter of 1986. Retailers surveyed by CSS estimated that May's real, seasonally adjusted sales would slip below April's.

For the present, it seems that the major retail chains will not have to cope with boycotts by black consumers which slashed last Christmas's sales. Earlier this year, several of Johannesburg's down-town furniture and appliance retailers reported sharply higher sales to black customers.

"They came in clutching bundles of notes," one store manager enthused. "I think they've got the money because they've stopped paying rent," he added, referring to the year-old rent boycott by people in black townships which has cost the township boards well over R270m.

Though the unpaid rent money may have helped individual black family budgets and individual traders, the year's accumulated rent backlog is equivalent to no more than 10 per cent of one month's national retail sales. More important in determining the likely trend in retail sales, is willingness to buy on credit.

Hire purchase interest rates are generally in line with inflation which rose to a 17.3 per cent annual rate in May. Unfortunately for the economic planners, negative real interest rates have not spurred demand for consumers or business credit.

Advances by commercial and hire purchase banks are static, reflected in M3 money supply growth which fell well below its 16 per cent to 20 per cent targeted range in the last year, and remains stubbornly below this year's planned 14 per cent to 18 per cent target range.

Inflation's effect was worse for poor people than for the rich. The consumer price index (CPI) calculated on the lower income group's spending pattern stood at 18.7 per cent in May against the upper income group's 16.6 per cent. It is accounted for by sharply rising food prices.

In May this year the food-only CPI was 25.8 per cent higher than in May 1986 and, with real incomes deteriorating, retailers fear that black spending will be squeezed out of the durables and semi-durables sectors as households are forced to spend an increasing proportion of their income of food.

Jim Jones

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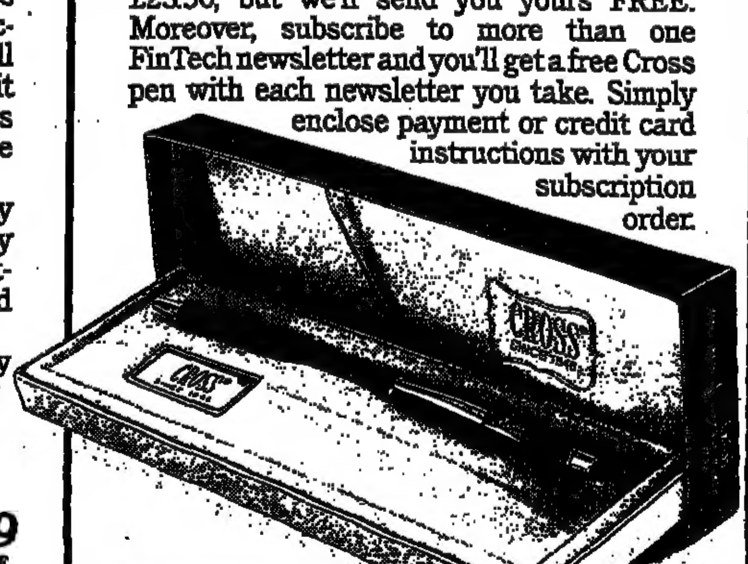

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